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14 August 1985

# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

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14 August 1985

## EAST EUROPE REPORT

### ECONOMIC AND INDUSTRIAL AFFAIRS

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INTERNATIONAL AFFAIRS

SFRY-ROMANIAN COMMODITY TRADE LIST, 1981-1985

Belgrade SLUZHBI LIST SFRJ in Serbo-Croatian No 11, 22 Nov 84 Medjunarodni Ugovori pp 508-510

[Lists of goods and services in trade between the Socialist Republic of Romania and the Socialist Federal Republic of Yugoslavia from 1981 to 1985 signed in Belgrade 12 March 1981]

[Excerpt] List of Exports of Goods and Services From the Socialist Federal Republic of Yugoslavia to the Socialist Republic of Romania Between 1981 and 1985

<u>Designation</u>	<u>Unit of Measurement</u>	<u>Annual Quantity or Value</u>				
		<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
1. Products of ferrous metallurgy (railroad rails, heavy beams, angles, ball-bearing steel, tensile steel, alloy steel for machinery construction, drawn and burnished steel, dynamo steel, stainless steel, steel wheel rims, chilled castings, cast and forged rollers and manufacturing of finished products from semifinished products*	Millions of dollars	40	45	45	40	40

\* The composition and quantities are to be established annually depending on the capabilities of the two sides. Deliveries may also be extended to other products.

## List (continued)

Designation	Unit of Measurement	Annual Quantity or Value				
		1981	1982	1983	1984	1985
2. Shapes and rolled steel products based on production specialization*	Millions of dollars	30	30	30	40	40
3. Steel pipe on the basis of specialization	"	3	3	3	3	3
4. Rolled products of copper and copper alloy	Thousands of tons	3	3	3	3	3
5. Electrical conductors	Millions of dollars	2	2	2	2	2
6. Silicon metal	Thousands of tons	2	2	2	2	2
7. Superfine ferro-chromium	"	1	1	1	1	1
8. Antimony	Tons	100	100	100	100	100
9. Bauxite	Thousands of tons	100	200	200	200	200
10. Special calcined alumina	"	6.0	6.5	7.0	7.5	8.0
11. Brass products	Tons	400	400	400	400	400
12. Magnesium metal	"	750	750	750	750	750
13. Magnesite-chromomagnesite and dolomite refractory brick, dolomite blocks, including silicoaluminum materials	Thousands of tons	36	36	36	36	36
14. Silicate refractory brick	"	1	1	1	1	1
15. Electric-furnace corundum	"	8	8	8	8	8
16. Abrasives	Millions of dollars	4	2	2	2	2
17. Barite, ground	Thousands of tons	20	25	30	35	40
18. Asbestos and asbestos products	Millions of dollars	2.0	2.5	2.5	2.5	3.0
19. Electrical insulators	"	1.5	1.5	1.5	1.5	1.5

\* The composition and quantities are to be established annually depending on the capabilities of the two sides. Deliveries may also be extended to other products.

## List (continued)

Designation	Unit of Measurement	Annual Quantity or Value				
		1981	1982	1983	1984	1985
20. Storage batteries	Millions of dollars	4	4	4	5	5
21. Ethylene	Thousands of tons	38	52	52	52	52
22. Propylene	"	55	60	50	50	50
23. C <sub>4</sub> -fractions	"	10	10	According to capabilities		
24. Phosphoric acid (100% P <sub>2</sub> O <sub>5</sub> )	"	18	15	15	15	15
25. Trisodium phosphate	"	5.5	5.5	5.5	5.5	5.5
26. Polyethylene (exchange of assortments)	Millions of dollars	3	5	5	5	5
27. Cellulose for viscose	Thousands of tons	5	5	5	5	5
28. Cryolite	"	2	2	2	2	2
29. Pesticides	Millions of dollars	1.5	1.5	1.5	1.5	1.5
30. Zinc oxide	Thousands of tons	2	2	2	2	2
31. Xanthates	"	1	1	1	1	1
32. Paints and varnishes	Millions of dollars	1	1	1	1	1
33. Sodium perborate	Tons	500	500	500	500	500
34. Pharmaceutical raw materials and drugs	Millions of dollars	5	5	5	5	5
35. Miscellaneous chemical products	"	10	10	10	10	10
36. Tires	"	1	1	1	1	1
37. Conveyors	"	1.5	1.5	1.5	1.5	1.5
38. Cotton products (fiber and fabrics, small production runs)	Thousands of dollars	600	650	700	750	800
39. Garment industry (incidental supplies)	"	300	350	350	400	400
40. Knitwear and sewing notions	"	550	600	650	650	700
41. Other textile products (slippers, hats, blankets,	"	500	550	550	600	600

## List (continued)

Designation	Unit of Measurement	Annual Quantity or Value				
		1981	1982	1983	1984	1985
42. Semifinished products and secondary supplies for the leather industry	Thousands of dollars	600	650	700	750	800
43. Dextrin	Thousands of tons	2	2	2	2	2
44. Hops	Tons	200	200	200	200	200
45. Pedigree animals	Thousands	1	1	1	1	1
46. Seed and nursery stock	Thousands of dollars	600	800	1,000	1,200	1,400
47. Breeding material for livestock	"	20	20	20	20	20
48. Live sheep	"	3	3	3	3	3
49. Corn	"	50	50	50	50	50
50. Sugar	"	20	20	20	20	20
51. Edible oil	Thousands of tons	—	10	10	10	10
52. Products of machinebuilding						
Cooperation in the production of machine tools and toolmaking	Millions of dollars	6	6	10	14	14
Cooperation in the production of presses	"	2.5	3.5	4.0	5.0	5.0
Cooperation and specialization in the production of automotive equipment	"	25	25	30	36	42
Cooperation in the production of passenger and delivery vehicles	"	2.5	2.5	3.0	4.0	4.0
Cooperation and mutual deliveries in shipbuilding and marine equipment	"	6	20	24	24	26



## List (continued)

<u>Designation</u>	<u>Unit of Measurement</u>	<u>Annual Quantity or Value</u>				
		<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Cooperation in the production of electric locomotives and deliveries of spare parts	Millions of dollars	1	2	3	4	5
Cooperation in the production and mutual deliveries in the electrical products industry and electronics	"	10	10	20	30	30
Cooperation and mutual deliveries in the field of processing equipment for industry	"	10	20	50	60	60
Agricultural machines and equipment for the food processing industry	"	10	10	10	10	10
Other machines and equipment	"	4	4	4	4	4
Other deliveries	"	12	12	12	12	12
53. Drive chain	"	2	2	2	2	2
54. Industrial screens	"	1	1	1	1	1
55. Visible border trade	"	5.0	5.0	5.5	6.5	7.0
56. Transit and services	"	30	30	30	30	30
57. Printed material, films and philatelic articles	Thousands of dollars	500	500	500	500	500
58. Miscellaneous goods	Millions of dollars	5	5	5	5	5
59. Deliveries of electric power (not to exceed repayment of credit)	Thousands of kwh	250	250	--	--	--

List of Exports of Goods and Services From the Socialist Republic of Romania to the Socialist Federal Republic of Yugoslavia From 1981 to 1985

Designation	Unit of Measurement	Annual Quantity or Value				
		1981	1982	1983	1984	1985
1. Products of ferrous metallurgy (hot-rolled strip, ship plate, blooms, ingots for steel wheel rims, medium and light shapes, rolled high-carbon wire, quality steel for screws and bolts, old chilled castings and scrap castings)*	Millions of dollars	40	45	45	40	40
2. Shapes and rolled steel products on the basis of specialization in production*	"	30	30	30	40	40
3. Steel pipe on the basis of specialization	"	3	3	3	3	3
4. Aluminum in ingots	Thousands of tons	15	5	5	5	5
5. Electric cable	Millions of dollars	2	2	2	2	2
6. Electrical insulators	"	—	1	1	1	1
7. Rolled aluminum products	Thousands of tons	5	5	5	5	5
8. Salt	"	350	350	300	300	300
9. Mineral oils	"	15	15	15	15	15
10. Ammonia	"	52	52	52	52	52
11. Styrene	"	—	10	10	10	10
12. Dibasic ammonium phosphate	"	60	40	40	40	40
13. Diethyl hexanol	"	10	10	10	10	10
14. Polypropylene	"	8	8	8	8	8
15. Soda ash	"	60	60	60	60	60
16. Sodium hydroxide--lye	"	50	50	50	50	50
17. Ammonium sulfate	"	20	20	20	20	20
18. Synthetic rubber	"	8	10	12	12	12
19. Tires	"	500	500	500	500	500
20. Vinyl acetate, monomer	"	3	3	3	3	3
21. Alkyl amine	"	1.5	1.5	1.5	1.5	1.5
22. Isobutanol	"	5	5	5	5	5
23. Phenol	"	5	5	5	—	—

\* The composition and quantities are to be established annually depending on the capabilities of the two sides. Deliveries may also be extended to other products.

## List (continued)

Designation	Unit of Measurement	Annual Quantity or Value				
		1981	1982	1983	1984	1985
24. Acetone	Thousands of tons	5	5	5	5	5
25. Urea (carbamide)	"	50	50	25	25	25
26. Potassium-ammonium nitrate (KAN)	"	50	50	25	25	25
27. Pesticides	Millions of dollars	1.5	1.5	1.5	1.5	1.5
28. Ammonium nitrate	Thousands of tons	10	10	10	10	10
29. Paints and varnishes	Millions of dollars	1	1	1	1	1
30. Polyethylene (exchange of assortments)	"	3	5	5	5	5
31. Pharmaceutical raw materials and drugs	"	5	5	5	5	5
32. Miscellaneous chemical products	"	15	15	15	15	15
33. Cement	Thousands of tons	50	50	50	50	50
34. Chipboard and fiberboard sheets	Millions of dollars	4	4	4	4	4
35. Miscellaneous farm products and foodstuffs (fresh fruit, vegetables, honey, etc.)	"	8	8	8	8	8
36. Seed and nursery stock	Thousands of dollars	600	700	800	900	1,000
37. Beef	Thousands of tons	4	4	4	4	4
38. Pork	"	12	12	12	12	12
39. Cotton products (fiber and fabrics in small production runs)	Thousands of dollars	600	650	700	750	800
40. Garments (incidental supplies)	"	300	350	350	400	400
41. Knitwear and sewing notions	"	550	600	650	650	700
42. Other textile products (slippers, hats and blankets)	"	500	550	550	600	600
43. Semifinished products and incidental supplies for the leather industry	"	600	650	700	750	800

## List (continued)

<u>Designation</u>	<u>Unit of Measurement</u>	<u>Annual Quantity or Value</u>				
		<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
44. Products of machine-building						
Cooperation in the production of machine tools and toolmaking	Millions of dollars	6	6	10	14	14
Cooperation in the production of presses	"	2.5	3.5	4.0	5.0	5.0
Cooperation and specialization in the production of automotive equipment	"	25	25	30	36	42
Cooperation in the production of passenger and delivery vehicles	"	2.5	2.5	3.0	4.0	4.0
Cooperation and mutual deliveries in shipbuilding and marine equipment	"	6	20	24	24	26
Cooperation in the production of electric locomotives and deliveries of spare parts	"	1	2	3	4	5
Cooperation in the production and mutual deliveries in the electrical products industry and electronics	"	10	10	20	30	30
Cooperation and mutual deliveries in the processing equipment for industry	"	10	20	50	60	60
Agricultural machines and equipment for the food processing industry	"	10	10	10	10	10
Other machines and equipment	"	4	4	4	4	4
Other deliveries	"	10	12	12	12	12

List (continued)

<u>Designation</u>	<u>Unit of Measurement</u>	<u>Annual Quantity or Value</u>				
		<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
45. Visible border trade	Millions of dollars	5.0	5.0	5.5	6.5	7.0
46. Transit and services	"	15	15	15	15	15
47. Printed materials, films and philatelic articles	Thousands of dollars	500	500	500	500	500
48. Miscellaneous goods	Millions of dollars	5	5	5	5	5

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INTERNATIONAL AFFAIRS

SFRY-USSR AGREEMENT ON FINANCING SMEDEREVO METALLURGICAL COMBINE

Belgrade SLUZHBI LIST SFRJ in Serbo-Croatian No 5, 27 Apr 85 Medjunarodni Ugovori pp 142-143

[Agreement between the Federal Executive Council of the SFRY Assembly and the Government of the USSR on approval of credit for partial financing of construction of the second phase of the Smederevo Metallurgical Combine in Yugoslavia]

[Excerpts] Article 1

The Government of the Union of Soviet Socialist Republics hereby extends to the Federal Executive Council of the Assembly of the Socialist Federal Republic of Yugoslavia in 1984-1985 credit in the amount of \$180 million accounting U.S. at an interest of 5 percent per annum, for partial financing of domestic costs of the Yugoslav side in building the second phase of the Smederevo Metallurgical Combine (in Smederevo, Yugoslavia).

Against that amount of credit from the USSR 400 million cubic meters of natural gas and 52,000 tons of mazut will be delivered from the USSR to the SFRY in 1984, above and beyond the obligations for delivery of such commodities envisaged by the Agreement on Mutual Deliveries of Goods Between the SFRY and the USSR for the Period From 1981 to 1985, dated 15 June 1981, and the Trade Protocol Between the SFRY and USSR for 1984, dated 18 January 1984. In addition, 200,000 tons of iron ore (concentrate) delivered from the USSR is to be charged to that amount of credit and is to be part of the total amount of iron ore envisaged for delivery in the current year, in conformity with the attached protocol.

The quantity and designations of the goods to be delivered from the USSR to the SFRY in 1985 and to be charged to the unused amount of this credit will be agreed upon between the parties at the time of the signing of the protocol on visible trade between the countries for 1985.

Article 2

The Yugoslav side will repay the credit used as referred to in Article 1 of this agreement, with interest computed from the date of use of the respective portion of the credit, in equal semiannual installments over a period of

8 years from the date of completion of construction of the relevant structures of the Smederevo Metallurgical Combine, but not later than 1 January 1988.

The last interest is to be paid simultaneously with the last payment of principal.

The date of use of the respective portion of the credit--for each lot delivered--shall be the date on the ocean bill of lading or freight waybill or the date on the bill of lading indicating that the goods have been turned over at a border station by the seller's railroad to the railroad receiving the goods, or on some other appropriate document.

The Yugoslav side will repay the major portion of the credit by delivering to the USSR cold-rolled steel sheet for machinebuilding, galvanized sheet, alloy steel for making machinery and other products of ferrous metallurgy, and it shall pay the interest by delivering goods which are included in annual trade protocols.

### Article 3

The prices of the goods being delivered pursuant to this agreement shall be determined according to current world prices on the principal markets for the respective goods.

[In a 25 December 1984 exchange of letters between Milenko Bojanic, SFRY federal secretary for foreign trade, and N. S. Patolicev, Soviet minister of foreign trade, the following was confirmed in regard to financing the second stage of development of the Smederevo Metallurgical Combine:]

"The amount of each payment in repayment of the credit is to be adjusted by the party's banks if the value per unit of special drawing rights in U.S. dollars at the exchange rate of the International Monetary Fund drawn 3 working days before the date of payment should change by more than  $\pm 2.25$  percent in either direction from the basic value expressed in U.S. dollars per unit of special drawing rights on the day before the date of conclusion of each contract between Yugoslav and Soviet organizations. Should there be a change in the mechanism for determining the value per unit of special drawing rights that would make it impossible to use the price per unit of the special drawing right for this adjustment, the contracting parties shall agree on introduction of some other mutually acceptable mechanism which will protect the contracting parties from losses because of fluctuation of the exchange rate of U.S. dollars on international foreign exchange markets."

In all other respects not envisaged by this letter the provisions of the Yugoslav-Soviet agreement dated 27 June 1984 shall remain in force.

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INTERNATIONAL AFFAIRS

SFRY SHIPBUILDING PROGRAM FOR USSR, 1986-1990

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 19 Jun 85 p 10

[Article by M. Erceg: "Exports Worth \$2 Billion"]

[Text] Yugoslav shipyards have entered the new medium-term period 1986-1990 with quite a bit of confidence, since the contracts already signed with foreign trading partners, along with those which will be concluded by the end of June, above all with the Soviet Union, have given them a guarantee that most shipbuilding capacity will be fully employed up to 1990. In this period of recession for cargo space, which to be sure is somewhat less intense than in earlier years, this is very significant and indicates the high quality of Yugoslav shipbuilding, which on the world market has broken through to the very top of the shipbuilding industry.

The Soviet Union occupies the most important place in the export of ships to the world market; that is, here the best cooperation has been achieved. The contract just signed between the "Split" Shipbuilding Industry with Sudoimport of Moscow for the construction of three dredging vessels actually signifies the start for Yugoslav shipbuilding in the new medium-term period. The contract of these long-standing trading partners was preceded by the recent agreement on cooperation in the field of shipbuilding at the level of the two countries, which was signed in Moscow. It called for building ships and offering repair services for the Soviet Union in our shipyard in the total amount of about \$1 billion over the next 5 years.

Ivo Vrandecic, president of "Jadranbrod," says that the business arrangement with the Soviet Union calls for Adriatic shipbuilding to share in construction of 26 ships and other vessels worth about \$600 million. These ships will be built in five shipyards: the "Split" Shipbuilding Industry, "The 3d of May" and "Uljanik." These shipyards will be employed, as with previous programs for the USSR, mainly in building tankers and dredging vessels, docks will be built in the "Mosor" Shipyard in Trogir, and smaller passenger vessels will be built in the Tito Shipyard. By the end of this month a contract will most probably be signed for construction of a sizable number of vessels--about 15, and the rest during the fall. "Dunavbrod" is also about to sign a contract for construction of small river vessels in the amount of about \$200 million, and the same amount is anticipated from the repair of Soviet vessels in our shipyards.

The contracts on the building of ships for the Soviet Union are the result of many years of comprehensive and fruitful cooperation between the two countries. However, it is felt that with efforts on both sides for increased trade the share of shipbuilding ought to increase still more. The most recent agreement has called for building several vessels less than in the present medium-term period, and that is not a real reflection of our capabilities, nor of the desires and needs of the customer.

The very good cooperation between our shipbuilding and the Soviet customer is also indicated by the datum that 137 ships and other vessels have so far been built with a total tonnage of 2.2 million. The only objections which have been made in the present planning period are the lateness in concluding contracts and that the deliveries of the ships ordered were concentrated mainly in the last 2 years (1984/85). The concentration of jobs in one or two years which have been envisaged for realization over a period of 5 years does not suit our shipbuilding industry, nor does it suit any shipbuilder in the world, nor indeed does it suit the customer, since it causes imbalance and disruption in the process of construction as well as in the customer's obligations. The Soviet trading partners and our own have therefore decided instead of concluding contracts on an ad hoc basis to confirm all the obligations before beginning of the planning period, which is what they have done this time. We should therefore anticipate that the orders will be filled very successfully without any sort of lag in the new 5-year period.

Even before the signing of the new contract with the Soviet Union "Jadranbrod" had orders to build about 60 more vessels for other foreign customers. It is thus realistic to expect that in the next 5 years up to 1990 Yugoslav shipbuilding will have exports and output worth about \$2 billion.

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CSO: 2800/366

BULGARIA

FOREIGN TRADE STATISTICS FOR FIRST QUARTER OF 1985

Sofia 12NOC I VNOS in Bulgarian No. 1, 1985

[Committee for Social Information at the Council of Ministers: "Export and Import"]

[Text] Development of Foreign Trade in the People's Republic of Bulgaria for the First Quarter of 1985

During the first quarter of 1985, foreign trade in the People's Republic of Bulgaria reached 5458.5 million leva. The value of exports reached 2584.6 million leva and that of imports 2873.9 million leva. Imports exceeded exports by 289.3 million leva.

Trade is determined above all by our trade relations with the member countries of the Council for Economic Mutual Assistance, predominantly with the USSR. The relative share of the member countries of the Council for Economic Mutual Assistance represents 73.5 percent of total foreign trade, of which 58.2 percent is with the USSR alone. The figures for reciprocal trading with the following countries are significant: German Democratic Republic--250.7 million leva, Czechoslovakia--218.5 million leva, Poland--171.8 million leva and Cuba--114.0 million leva.

Our trade relations with the nonsocialist countries are developing on the basis of mutual benefit and equality. Trade with these groups of countries has grown by 227.1 million leva compared with the same period last year, which is a result of increased imports.

Our largest trading partners in the developed capitalist countries are Federal Republic of Germany--123.6 million leva, Switzerland--66.1 million leva, Italia--60.7 million leva, France--36.2 million leva and Greece--49.1 million leva.

Libya continues to be one of our principle trading partners in the group of developing nations. Trade with Libya has reached 194.8 million leva. Our foreign trade ties with Angola, Nigeria, Tunisia, Brazil, Pakistan and Syria are developing successfully.

Machinery and equipment for industrial purposes represents the largest share of exported goods--50.8 per cent, followed by foodstuffs--14.6 percent and manufactured consumer goods (non foodstuffs)--11.9 percent.



Compared with the same period last year, export of chemicals, fertilizers and rubber has increased by 13.7 million leva and export of raw materials for the production of food and tobacco goods has increased by 49.9 million leva.

Imported fuels, mineral raw materials and metals represent the largest share of imported goods--46.8 percent, followed by machinery and equipment for industrial purposes--33.5 percent. Compared with the first quarter last year, there has been a significant increase in the import of fuels, mineral raw materials and metals--76.5 million leva, and in raw materials for production of food and tobacco goods--48.8 million leva.

Of the goods that are monitored, more of the following were exported compared with the same period last year: pumps, telephone relays, voice-radios, trucks, electrometers, manometers, ....., rolled wire, carbimide, ammonium nitrate, high-voltage insulators, sulphate cellulose, attar of rose.

We imported more electrical equipment, metallurgic coke, steel blocks, raw cattle hides, watches, cotton, raw sugar, sewing machines, everyday necessities.

# 1. Trade, Export and Import

	1st Quarter		Ratio 1st Qtr 1985: 1st Qtr 1984 [in percent]
	1984 MM leva	1985	
Trade	5516.5	5458.5	99.0
Export	2761.0	2584.6	93.6
Import	2755.5	2873.9	104.3

# 2. Export and Import by Country Groups

	Export			Import		
	1st Quarter 1984 Million Lev	1985	Ratio 1st Qtr 84:85 [percent]	1st Quarter 1984 Million Lev	1985	Ratio 1st Qtr 84:85 [percent]
Total	2761.0	2584.6	93.6	2755.5	2873.9	104.3
Socialist Countries	2203.7	2052.2	93.1	2257.5	2123.9	94.1
Members of CEMA	2181.1	2027.6	93.0	2215.4	2084.3	94.1
Nonmembers of CEMA	22.6	24.6	108.8	42.1	39.6	94.1
Nonsocialist Countries	557.3	532.4	95.5	498.0	750.0	150.6
Developed						
Capitalist Countries	165.2	159.0	96.2	378.2	431.4	114.1
Of these:						
EEC	94.4	108.6	115.0	230.0	240.7	104.7
Developing countries	392.1	373.4	95.2	119.8	318.6	3x
Arabic countries	296.7	201.0	67.7	59.8	206.1	3x

### 3. Export and Import by Country

	Export			Import		
	1st Quarter		Ratio	1st Quarter		Ratio
	1984	1985	1st Qtr	1984	1985	1st Qtr
	Million Lev	Million Lev	84:85	Million Lev	Million Lev	84:85
			[percent]			[percent]
Total	2761.0	2584.6	93.6	2755.5	2873.9	104.3
Included in this:						
Europe						
Austria	9.1	6.6	72.5	43.0	37.0	86.1
Albania	3.2	1.5	46.9	2.8	4.7	167.9
Belgium	3.0	6.1	2x	13.0	14.0	107.7
Great Britain	23.3	16.9	72.5	21.2	16.7	78.8
German Democratic Republic	152.7	130.1	85.2	167.1	120.6	72.2
Greece	17.0	30.4	178.8	7.8	18.7	2x
Denmark	0.7	0.8	114.3	3.8	2.5	65.6
West Berlin	0.4	0.4	100.0	0.0	0.1	x
Ireland	0.0	0.0	100.0	0.1	1.0	x
Spain	4.0	2.0	50.0	5.8	10.1	174.1
Italy	11.0	24.0	2x	26.1	36.7	140.6
Norway	0.1	0.1	100.0	1.0	0.8	80.0
Poland	101.2	74.2	73.3	88.7	97.6	110.0
Portugal	0.2	0.0	0.0	1.2	0.8	66.7
Romania	52.2	31.9	61.1	52.1	41.9	80.4
USSR	1630.5	1583.8	97.1	1670.0	1591.8	95.3
Hungary	59.3	42.0	70.8	60.6	53.4	88.1
Finland	0.4	0.7	175.0	5.8	8.0	137.9
France	6.2	4.9	79.0	26.5	31.3	118.1
Federal Republic of Germany	28.5	20.9	73.3	113.0	102.7	90.9
Netherlands	4.6	4.1	89.1	18.4	17.1	92.9
Czechoslovakia	122.3	112.5	92.0	112.6	106.0	94.1
Switzerland	31.8	24.5	77.0	45.8	41.6	90.8
Sweden	1.9	1.7	89.5	10.9	10.0	91.7
Yugoslavia	16.1	21.5	133.5	29.2	35.2	120.6

### 3. Export and Import by Countries

Continuation

	Export			Import		
	1st Quarter		Ratio 1st Qtr 84:85 [percent]	1st Quarter		Ratio 1st Qtr 84:85 [percent]
	1984	1985		1984	1985	
	Million Lev	Million Lev		Million Lev	Million Lev	
<b>Asia</b>						
Afghanistan	1.8	2.6	144.4	1.2	0.9	75.0
Bangladesh	2.0	1.0	50.0	2.7	4.6	170.4
Vietnam	5.8	0.6	10.3	3.1	1.7	54.8
India	7.3	13.4	183.6	7.9	4.6	58.2
Iraq	43.9	45.2	103.0	0.4	16.1	x
Iran	26.1	23.1	88.5	1.8	40.1	x
Jordan	5.2	2.7	51.9	0.2	1.1	6x
Kampuchea	0.1	0.1	100.0	-	-	-
China	2.2	1.6	72.7	7.9	2.3	29.1
Cyprus	2.3	2.1	91.3	1.3	0.3	23.1
Kuweit	2.2	2.8	127.3	0.0	0.1	x
People's Democratic Republic of Korea	4.0	1.5	37.5	4.7	2.1	44.7
People's Democratic Republic of Yemen	3.0	2.8	93.3	-	-	-
Lebanon	9.0	12.0	133.3	0.1	0.0	0.0
Mongolia	2.4	2.3	95.8	1.3	1.3	100.0
Pakistan	0.8	37.7	x	2.3	24.2	11x
Saudi Arabia	4.4	2.2	50.0	0.1	0.1	100.0
Singapore	1.6	1.2	75.0	5.1	2.0	39.2
Syria	8.6	16.7	194.2	5.9	18.1	3x
Thailand	0.1	0.0	0.0	-	-	-
Turkey	28.2	29.4	104.3	8.7	2.9	33.3
Philippines	-	0.0	-	0.1	-	-
Japan	12.9	7.6	58.9	17.8	14.9	83.7

3. Export and Import by Countries  
Continuation and End

	Export			Import		
	1st Quarter 1984 Million Lev	1985	Ratio 1st Qtr 84:85 [percent]	1st Quarter 1984 Million Lev	1985	Ratio 1st Qtr 84:85 [percent]
<b>Africa</b>						
Algeria	16.7	4.0	24.0	0.2	59.9	x
Angola	0.3	0.4	133.3	0.0	0.0	100.0
Ghana	1.1	-	-	-	-	-
Egypt	11.6	7.5	64.7	5.3	13.5	3x
Ethiopia	0.6	1.9	3x	-	0.3	-
Libya	189.2	99.9	52.8	45.1	94.9	2x
Marocco	1.9	1.3	68.4	1.6	0.8	50.0
Mozambique	0.5	0.2	40.0	-	-	-
Nigeria	3.9	5.1	130.8	0.9	2.5	3x
Sudan	0.1	0.1	100.0	-	-	-
Tunisia	1.0	3.6	4x	0.8	1.4	175.0
Tanzania	4.2	0.7	16.7	0.2	2.1	11x
<b>America</b>						
Argentina	0.7	12.4	18x	11.8	6.4	54.2
Brazil	5.0	34.4	7x	11.8	12.3	104.2
Canada	0.8	1.7	2x	1.1	3.3	3x
Cuba	51.5	48.7	94.6	57.1	65.3	114.4
Nicaragua	7.7	4.4	57.1	1.0	-	-
Peru	0.0	-	-	0.0	2.9	x
USA	8.4	3.9	46.4	13.2	30.0	2x
<b>Australia and Oceania</b>						
Australia	0.3	0.2	66.7	0.1	33.5	x
New Zealand	0.0	-	-	0.4	0.0	0.0

#### 4. Export by Type of Goods

	1st Quarter		Ratio 1st Qtr 84:85 [percent]	Relative Share of Type of Goods in Overall Exports in 1st Qtr	
	1984 Million Lev	1985		1984	1985
Total	2761.0	2584.6	93.6	100.0	100.0
Machinery and equipment for industrial purposes	1506.0	1312.1	87.1	54.5	50.8
Fuels, mineral raw materials and metals	268.4	171.5	82.3	7.5	6.6
Chemicals, fertilizers and rubber	115.1	128.8	111.9	4.2	5.0
Building materials and details	51.9	34.6	66.7	1.9	1.3
Raw materials and products from their processing (excluding foodstuffs)	32.3	47.8	148.0	1.2	1.9
Livestock (excluding those for slaughter)	2.0	3.6	180.0	0.1	0.1
Raw materials for production of food and tobacco products	91.4	141.3	154.6	3.3	5.5
Foodstuffs	402.9	377.2	93.6	14.6	14.6
Manufactured consumer goods (non-foodstuffs)	293.3	307.2	104.7	10.6	11.9
Items of industrial nature not included in the above	57.7	60.5	104.9	2.1	2.3



## 5. Import by Type of Goods

	1st Quarter		Ratio 1st Qtr 84:85 [percent]	Relative share of Type of Goods in overall Exports in 1st Qtr	
	1984 Million Lev	1985		1984	1985
<b>Total</b>	2755.5	2873.9	104.3	100.0	100.0
Machinery and equipment for industrial purposes	930.3	964.0	103.6	33.8	33.5
Fuels, mineral raw materials and metals	1267.3	1343.8	106.0	46.0	46.8
Chemicals, fertilizers and rubber	145.3	145.7	100.3	5.3	5.1
Building materials and details	19.9	26.0	130.7	0.7	0.9
Raw materials and products from their processing (excluding foodstuffs)	164.1	137.7	83.9	6.0	4.8
Livestock (excluding those for slaughter)	0.5	0.7	140.0	0.0	0.0
Raw materials for production of food and tobacco products	74.5	123.3	165.5	2.7	4.3
Foodstuffs	26.3	26.3	100.0	0.9	0.9
Manufactured consumer goods (non-foodstuffs)	116.3	96.4	82.9	4.2	3.4
Items of industrial nature not included in the above	11.0	10.0	90.9	0.4	0.3

# 6. Export of Certain Goods

	Measurement	1st Quarter		Ratio 1st Qtr 84:85 [percent]
		1984	1985	
Total	MM leva	2761.0	2584.6	93.6
Including:				
Lathes	No. in M	0.8	0.6	75.0
Milling machines	No.	63	46	73.0
Drilling machines	No.	384	285	74.2
Woodworking machines	No.	1359	880	64.8
Electric motors	No. in M	218.5	216.9	99.3
Pumps	No. in M	12.2	16.1	132.0
Telephone relays	No. in M	1188.2	1378.9	116.1
Automatic telephone exchanges	MM leva	22.7	15.8	69.6
Telephones	No. in M	162.0	180.7	111.5
Voice-radios	No. in M	27.8	31.4	113.0
Semiconductors	MM leva	2.1	1.5	71.4
Car batteries	No. in M	143.2	146.7	102.4
Batteries for battery-driven trucks	No. in M	8.5	7.0	82.4
Battery-driven trucks	No. in M	10.7	9.1	85.1
Trucks	No. in M	6.3	7.2	114.3
Electric hoists	No. in M	32.8	30.0	91.5
Electronic calculators "Elka"	No. in M	13.6	12.6	92.7
Portable typewriters	No. in M	32.4	22.8	70.4
Electrometers	No. in M	16.0	25.0	156.3
Manometers	No. in M	152.2	351.1	230.7
Tractors	No.	982	864	88
Combine silos	No. in M	11.1	0.8	7.2
Planting machines	No.	1506	680	45.2
Ships and ship equipment	MM leva	47.5	29.4	61.9
Electric power	MM kwatt	608.8	180.1	29.6
Cast-iron	M tons	34.7	10.0	28.8
Billets	M tons	31.6	40.6	128.5
T & Y form iron	M tons	1.1	0.5	45.5
Heavy steel	M tons	3.6	2.1	58.3
Fine steel	M tons	4.0	0.3	7.5
Rolled wire	M tons	13.0	13.6	104.6
Thick sheet iron >3mm	M tons	131.0	51.1	39.0
Fine sheet iron <3mm	M tons	2.6	0.7	26.9
Sheet steel	M tons	53.6	9.2	17.2

# 6. Export of Certain Goods

Continuation

	Measurement	1st Quarter		Ratio 1st Qtr 84:85 [percent]
		1984	1985	
Pipes	M tons	13.4	9.9	73.9
Bicarbonate of soda	M tons	1.2	0.6	50.0
Calcinated soda	M tons	205.5	137.1	66.7
Sodium nitrate	M tons	1.2	0.4	33.3
Sodium silicate	M tons	3.5	5.9	168.6
Carbimide	M tons	106.2	190.6	179.5
Polystyrene	Tons	385	65	16.9
Polyethylene	Tons	1261	242	19.2
Ammonium sulphate	M tons	44.4	19.2	43.2
Sodium nitrate	M tons	2.1	0.3	14.3
Ammonium nitrate	M tons	21.8	39.7	182.1
Zineb	M tons	3.5	1.8	51.4
Aniline dyes	Tons	103	61	59.2
Acetone	M tons	2.3	3.8	165.2
Heavy car tires (set)	No. in M	28.9	29.4	101.7
Tires for trucks and battery-driven trucks (set)	No. in M	67.9	59.4	87.5
Cement	M tons	106.5	1.0	0.9
Window glass	MM sq.m.	0.7	0.7	100.0
High-voltage insulators	M tons	0.9	1.1	122.2
Ceramic tiles	No. in MM	27.8	26.6	95.7
Marble slabs	M sq.m.	57.5	23.1	40.2
Plywood	M cu.m.	1.3	-	-
Parqueting	M sq.m.	39.0	26.0	66.7
Sulphate cellulose	M tons	0.9	3.5	4x
Polystyrene chemical fibre	Tons	526	470	89.4
Lavender water	Tons	35	18	51.4
Star of roses	Kg	52	149	3x
Herbs	M tons	0.7	0.4	57.1
"Oriental" tobacco	M tons	16.4	17.6	107.3
"Virginia" tobacco	Tons	-	200	-
Pulp	M tons	5.5	2.5	45.5
Wheat	M tons	22.0	300.4	14x
Calves	No. in M	9.5	4.2	44.2
Young lambs	No. in M	83.6	120.8	144.5
Lambs	No. in M	60.0	103.0	171.7
Pork	M tons	0.3	0.1	33.3
Veal	M tons	1.3	0.9	69.2
Lamb	M tons	2.4	1.6	66.7
Poultry	M tons	9.1	5.3	58.2

## 6. Export of Certain Goods

Continuation and End

	Measurement	1st Quarter		Ratio 1st Qtr 84:85 [percent]
		1984	1985	
Canned meat	Tons	613	44	7.2
Canned meat and vegetables	M tons	12.0	11.4	95.0
Pork fat	M tons	2.5	2.6	104.0
White brined cheese	M tons	5.1	6.1	119.6
Kashkaval	Tons	656	814	124.1
Eggs	No. in MM	19.3	6.7	34.7
Fresh-frozen fish	M tons	4.4	7.7	175.0
Canned fish	M tons	0.4	0.6	150.0
Hothouse cucumbers	M tons	0.7	0.7	100.0
Hothouse peppers	M tons	0.0	-	-
Sterilized canned vegetables	M tons	27.0	24.1	89.3
Frozen vegetables	M tons	0.5	0.6	120.0
Tomato puree	M tons	7.4	2.0	27.0
Apples	M tons	0.6	0.2	33.3
Stewed fruit	M tons	26.3	13.6	51.7
Preserves	M tons	1.1	1.3	118.2
Fruit syrup	Tons	594	105	17.7
Concentrated fruit juice (nectar)	M tons	25.6	6.1	23.8
Frozen fruit	M tons	0.3	0.7	2x
Sterilized mushrooms	Tons	514	480	93.4
Brandy	MM liter	2.2	2.1	95.5
Grape wines - table	MM liter	51.5	51.2	99.4
Grape wines - liqueur	MM liter	16.1	9.2	57.1
Sparkling wines	MM liter	3.9	4.8	123.1
Vintage wines	MM liter	1.2	1.8	150.0
Cigarettes	M tons	18.9	19.9	105.3
Cotton fabrics	MM m	3.2	4.3	134.4
"Chiprov" carpets	M sq.m.	0.4	-	-
"Persian" carpets	M sq.m.	33.1	-	-
Men's suits	Nc. in M	119.0	159.0	133.6
Women's dresses	No. in M	1744.0	1931.0	110.7
Leather shoes	M pair	573.0	560.0	97.7
Ceramic and china dishware	M leva	1244	894	71.9
Wooden furniture	MM leva	21.9	20.0	91.3
Medicines	MM leva	91.0	95.2	104.6
Toothpaste	M tons	6.9	8.2	118.8
Cinematographic films	M leva	357	564	158.0
Postage stamps	M leva	334	282	84.4
Newspapers and journals	M leva	1263	1250	99.0

# 7. Import of Certain Goods

	Measurement	1st Quarter		Ratio 1st Qtr 84:85 [percent]
		1984	1985	
Total	MM leva	2755.5	2873.9	104.3
Including:				
Metal-cutting machines	MM leva	23.9	26.2	109.6
Electrical equipment	MM leva	62.2	79.5	127.8
Electrotechnical equipment	MM leva	27.3	32.5	119.1
Battery-driven trucks	No. in M	4.8	4.7	97.9
Computers	MM leva	2.3	0.1	4.4
Typewriters	No.	1367	90	6.6
Bearings	No. in MM	3.4	4.0	117.7
Tractors	No.	559	320	57.3
Combine harvesters	No.	331	530	160.1
Trucks	No. in M	2.3	2.7	117.4
Buses	No.	101	55	54.5
Cars	No. in M	10.2	6.4	62.8
Ships and ship equipment	MM leva	9.3	10.2	109.7
Electric power	MM kwatt	1534.6	1557.3	101.5
Metallurgic coke	M tons	100.4	121.1	120.6
Foundry coke	M tons	29.0	17.3	59.7
Coal (excluding anthracite)	M tons	1292.8	1160.6	89.8
Anthracite	M tons	495.9	503.6	101.6
Iron ore	M tons	647.5	216.6	33.5
Cast-iron	M tons	110.4	66.4	60.1
Steel blocks	M tons	181.0	202.4	111.8
Heavy steel	M tons	35.1	21.0	59.8
Medium steel	M tons	31.2	15.4	49.4
Light steel	M tons	35.7	19.6	54.9
Apatite concentrate	M tons	80.9	76.7	94.8
Phosphorous fertilizers	M tons	12.7	97.9	8x
Potassium fertilizers	M tons	58.1	41.0	70.6
Raw phosphates	M tons	78.3	81.2	103.7
Pest control products	M tons	6.7	4.2	62.7
Aniline dyes	Tons	939	730	77.7
Softwood	M cu.m.	86.5	20.6	23.8
Cellulose (inc. flour)	M tons	37.1	32.1	86.5
Newsprint	M tons	12.8	9.9	77.3
Cigarette paper	M tons	1.2	1.2	100.0
Fine wrapping paper	Tons	1357	918	67.7

## 7. Import of Certain Goods

Continuation and End

	Measurement	1st Quarter		Ratio 1st Qtr 84:85 [percent]
		1984	1985	
Cotton (inc. lint)	M tons	22.3	24.2	108.5
Wool	Tons	154	50	32.5
Synthetic silk yarns	Tons	119	51	42.9
Raw cattle hides	Tons	1978	2413	122.0
Raw hides from small cattle	No. in M	66.0	60.0	90.9
Soy-bean groats	M Tons	68.1	56.8	83.4
Raw sugar	M tons	81.4	131.5	161.6
Raw cocoa beans	M tons	1.0	3.3	3x
Raw coffee beans	M tons	1.8	1.7	94.4
Oranges	M tons	10.6	9.0	84.9
Tangerines	Tons	597	483	80.9
Lemons	M tons	3.8	2.9	76.3
Grapefruit	Tons	4875	2358	48.4
Olives	M tons	3.3	0.5	15.2
Cotton fabrics	MM m.	1.6	1.3	81.3
Medicines	MM leva	25.3	23.5	92.9
Watches - everyday	No. in M	176.4	188.7	107.0
Cameras	No. in M	1.8	12.8	7x
Sewing machines -everyday	No. in M	5.9	8.5	144.1
Television sets	No. in M	43.1	20.4	47.3
Refrigerators	No. in M	6.3	2.1	33.3
Vacuum cleaners	No. in M	34.1	11.6	34.0
Washing machines	No. in M	28.7	21.9	76.3
Accordions	No. in M	1.9	5.3	3x
Cinematographic films	M leva	423	557	131.7
Postage stamps	M leva	64	24	37.5
Newspapers and journals	MM leva	6.2	5.6	90.3



## A B B R E V I A T I O N S

CEMA	Council for Economic Mutual Assistance
EEC	European Economic Community
No.	Number of items
No. in M	Number of items in thousands
No. in MM	Number of items in millions
M leva	Thousands of leva
MM leva	Millions of leva
M tons	Thousands of tons
MM kwatt	Millions of kilowatts
M sq.m.	Thousands of square meters
MM sq.m.	Millions of square meters
M cu.m.	Thousands of cubic meters
MM liter	Millions of liters
MM m.	Millions of meters
M pair	Thousands of pairs
Kg	Kilograms

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CZECHOSLOVAKIA

MORE EFFICIENT INVENTORY MANAGEMENT URGED BY BANK DIRECTOR

Prague FINANCE A UVER in Slovak No 3, 1985 pp 145-152

[Article by Eng Jan Mitro, general director of the Czechoslovak State Bank:  
"To Manage Inventories More Efficiently"]

[Text] In our national economy inventories are one of the factors which determine the fluent course of production, circulation and satisfaction of the needs of our society. The purpose of their creation and existence is to surmount the disparity of time and space between production and consumption.

If inventories are to fulfill this basic task efficiently, they must have --whether in national economy or in individual specific enterprises--certain optimum volume. In case of shortages problems develop in production and in supplies for the population. On the contrary, if the volume of inventories is excessive, i.e., higher than absolutely necessary for the fulfillment of production tasks, they are left "uselessly" piled up in storerooms; they needlessly paralyze funds that could be more rationally used somewhere else. On the one hand, inventories are one of the prerequisites for a regular, continuous course in the process of replacement, but on the other hand, they cut down those material resources of social production which generate activity, and remove them temporarily from the process of replacement. Consequently, that reduces national economic efficiency and delays the pace of expanded replacement.

The development of inventories, of their structure and their use in the Czechoslovak national economy has been characterized for quite a long time by inefficiency and unfulfilled planned tasks. In the development of inventories planned objectives of several 5-year plans could not be met and the efficiency of the use of inventories has steadily deteriorated. This was reflected in the fact that an increasingly large volume of inventories was linked with each unit of created values. This adverse trend was characterized by the ratio of inventories and created national income. While in 1965 there was Kcs 0.78 of inventories per one Kcs of created national income, in 1980 it was Kcs 0.85, and in 1983 Kcs 0.91 in inventories.

The comparison of the planned and actual development of the volume of inventories in our economy looks just as dismal. The 5-year plan for 1986-1990

envisaged a Kcs 70.6 billion growth of inventories, however, the actual overrun of that projection was Kcs 17.7 billion. In the first 3 years of the Seventh 5-Year Plan the plan envisaged a Kcs 19.8 billion rise in inventories, after discounting the price effects; however, in reality inventories increased by Kcs 39 billion.

In industrial and construction organizations which affect the most the development of inventories in terms of volume, inventories amounted to 43.7 percent of total inventories as of 31 December 1983; next were the inventories in the agrocomplex (29.4 percent) and in domestic trade (13.6 percent).

Inventories in our domestic market deviated by only Kcs 0.6 from the objectives of the plan for the first 3 years of the Seventh 5-Year Plan. However, here the assets for more efficient use of inventories are frequently affected by the inferior structure of the stockpiled goods. On the one hand, there are types of goods in short supply in our domestic market which have not achieved the planned standard (freezers, refrigerators, bicycles, tires), but on the other hand, when compared with standards, great many items are distinctly excessive (radios, tape recorders). To a major extent this reflects inadequate innovations, slow upgrading of technical and esthetic standards of goods, as well as shortcomings in market research of the projected consumers' demand.

The overwhelming part of inventories in the agrocomplex consists of supplies of agricultural types, such as fodders, fertilizers, livestock, crops in the process of cultivation. In addition to desirable inventories which promote the development of agriculture and food production for our nation, organizations of the agrocomplex have also great many inventories containing considerable unused resources, mainly the so called nonagricultural inventories, such as spare parts, construction materials, etc. Such inventories are often excessive and do not correspond with the needs for such supplies. Furthermore, there are stockpiles of certain products of our food industry whose sales are stagnating.

The fundamental problem stems from the development and use of inventories in our industry and construction, even though utilization of inventories has improved to some extent in recent years. During the Fifth 5-Year Plan the turnover of inventories was prolonged by 0.5 day; the Sixth 5-Year Plan envisaged a cut of 6.3 days in the turnover, but in reality the turnover in industry and construction was extended by 3.5 days, in other words, by 9.8 days as compared with the planned objective. In the first 3 years of the Seventh 5-Year Plan the turnover of inventories has not been markedly accelerated. Moreover, the actual development of inventories demonstrated a relatively considerable deviation from the planned volumes -- see Table 1.

The plan for 1984 stipulated a decline by Kcs 0.3 billion in industrial and construction inventories, with their total growth in our national economy was set at Kcs 5.9 billion. By its decree No 120/1984 the CSSR government even more emphatically strengthened the planned task of reducing the inventories in industrial and construction organizations by stipulating the goal-oriented task which assumed a further decrease of Kcs 5 billion of inventories

in 1984 as compared with the plan, mainly in conjunction with the phasing-out of inventories as of 31 May 1984.

Table 1. Change in the Situation of Inventories in 1981-1983 (after deduction of price effects)

	In Kcs billion		
	<u>Plan</u>	<u>Reality</u>	<u>Difference</u>
Federal Ministry of Fuel and Power	+1.3	+1.8	+0.5
Federal Ministry of Metallurgy and Heavy Engineering	-0.9	+4.2	+5.1
Federal Ministry of General Engineering	+0.5	+2.6	+2.1
Federal Ministry of Electrical Engineering	+0.7	+1.3	+0.6
National Industry	-0.4	+2.1	+2.5
Construction Industry	-1.5	+0.2	+1.7
<hr/>			
Construction and Industry	-0.3	+12.2	+12.5

Although the final data for 1984 are not yet known, we may presume that in 1984 the development of inventories improved. Nevertheless, the enterprise sphere had not fulfilled all its planned tasks, especially the target task in inventories, as confirmed by claims newly presented at the end of 1984 by organizations requesting urgent supplements of certain selected items in supplies (solid fuels, higher procurement of secondary raw materials, above-plan gas supplies, one-time deliveries of imports fulfilled at the end of the year, etc). Organizations submit demands unilaterally; enterprises and VHI [economic production units] are not actively searching for opportunities to reduce other, less needed, excessive inventories. For that reason it is imperative to enforce the principle any tasks unfilled by industrial and construction organizations in the current year be reflected to the fullest extent in the planned tasks for the development of inventories in 1985 in the form of stricter tasks in the exploitation and development of inventories in 1985.



From an objective point of view the greatest problems and untapped potential appear in inventories of metallurgical materials and metals and of semi-finished engineering products; these inventories are stockpiled mainly by consumers. For example, as of 31 December 1983 consumers were storing 1.7 million tons of rolled materials, which represented a 74-day supply, while the suppliers reported 0.4 million tons of supplies for sale, or enough to cover sales for 12 days. The situation of steel pipes is similar; consumers stockpiled 4 times more than the suppliers' stock. Furthermore, extensive supplies in consumers' inventories consist of electrical materials and spare parts. Great many items and a rapid rate of the technical progress often lead to the development of unused assets which need to be phased out regularly.

Problems appear also in inventories for the market (finished goods, commodities). Their share is about 18 percent in industrial ministries, with sizeable differences in individual ministries (Federal Ministry of Metallurgy and Heavy Engineering 8 percent, Federal Ministry of Electrical Engineering 26 percent, Federal Ministry of General Engineering 30 percent). As compared with advanced economies, inventories of finished products kept by manufacturers are much too small and thus, in essence they confirm the supplier's supremacy over the consumer in our economy. Nevertheless, despite the meager inventories of finished products, even in this category are unused assets in the form of products whose marketing is lagging or not guaranteed. The volume of such inventories in industrial ministries was recently fluctuating in the range from Kcs 0.5 billion to 1 billion. There are problems with inventories of the marketing and supplier organizations which are an important part in the distribution system. The volume of inventories in those organizations in industry and construction amounted to Kcs 30 billion, however, during the Seventh 5-Year Plan it is steadily declining.

Although on one hand the volume of inventories kept growing, difficulties with material supplies consisting of shortage materials, irregular deliveries and the uneven quality of raw materials, supplies and deliveries for final assemblies often hampered the fulfillment of production plans both in their volume and quality, as well as preparations for new productions. Shortages of certain types of materials or of subdeliveries required changes in production in the course of the year, adversely affected the regularity of production, and ultimately led to a further growth of inventories. Such circumstances, which cause unwarranted stockpiling and imbalance in inventories in terms of their assortment and quality, were among the main causes why there was no fulfillment of the values planned for the increase in inventories as compared with the rise of national income, and why the turnover of inventories has been prolonged.

The disadvantageous development of inventories stems from several factors: the most important among them are the shortcomings in supplier-consumer relations. Necessary quantities and especially required assortments of goods for the market still could not be produced for prompt satisfaction of consumers' needs, often due to the fact that the necessary conditions for continuity had not been provided already in the planned division of markets. In addition, actual deliveries from manufacturing organizations to marketing organizations often continue to be dictated by the interests



and needs of production rather than by the needs and demands of marketing organizations. This may be confirmed by deliveries made at the end of the year to meet the required lines of goods. This generally unsatisfactory situation in supplier-consumer relations has not changed to any market extent by partial success in improving the suppliers' operations and in producing supplies for the market in recent years by some VNI or in certain lines of production. Conditions for improving the situation in terms of satisfaction of material needs and in terms of supplier-consumer relations are set in the principles of decree No 48/1980 of the set of measures. Implementation of measures in the sector of material accounting, adjustments of supplier-consumer relations, and more rigorous contractual discipline, however, mean a long-range process whose results may only gradually become evident. At present the terms for the fulfillment of orders are still very long; economic contracts are concluded mostly with 3-month leeway; in many cases consumers must purchase more materials than they need. Disagreements in supplier-consumer relations are settled even at the level of VNI's and ministries belatedly and not always with satisfactory results.

A situation where consumers are uncertain whether the supplier will deliver their order on time and in the required quantity must necessarily lead to efforts to stockpile supplies in order to ensure continuous production. Current shortages of certain materials are then reflected in the fact that the manufacturing enterprises are trying to get hold of as many supplies as possible, often in amounts far exceeding their needs. Such a situation proves that one of the fundamental requirements for a permanent upturn in the use and development of inventories is to change the current consumer-supplier relations so that the conditions for delivery be based on consumers' needs in time, quantity and quality, and that they be not determined, as they are now, mainly by suppliers' interests and capabilities.

Problems and shortcomings of efficiency are evident also from deliveries of spare parts to organizations; they keep growing because of the rising prices of capital assets, because of the expanding volumes of the so called first equipment of new facilities with spare parts, and because of the increasing complexity of manufacturing equipment. Thus, for instance, the share of inventories of spare parts in material inventories of our chemical industry rose from 20.5 percent in 1976 to the current 30.7 percent.

Problems in the development and use of inventories have been greatly aggravated by continuous shortcomings and unused assets in the internal management of the distribution system in enterprises. Production plans are not being properly dovetailed with the plans for the distribution system. In most cases additional changes and adjustments of operational plans in the course of the year, changes in the line of goods, and shifts in individual quarters are not reflected in the plans for the distribution system, while on the other hand suppliers frequently refuse to accept the ensuing changes in order (or cancellations of orders) for supplies of materials, and thus orders are fulfilled, even though they are not needed in production at that time, or though the supplies for the original production program remain piled up in the storeroom. Moreover, insufficient standards of management and tardy modernization of storeroom management are adversely reflected

in inventory management. In the distribution system computer technology is used mostly to keep records of the inventories and their turnover, instead of using computer technology primarily to improve management, planning and decision-making in the sector of inventories. Furthermore, the situation of inventories is affected by the insufficient cooperation between individual units in the enterprise. When fulfilling the planned development of inventories, in most cases only financial units and the economic sector of the enterprise are involved, without much support from other units which affect the development and use of inventories, particularly the manufacturing and pre-manufacturing units. Many VHI and enterprises have not designated a unit competent to manage the entire turnover of supplies within the VHI and enterprises--beginning with procurement and ending with consumption. Certain deficiencies continue also in the area of wage incentives paid to appropriate employees to promote the planned development and efficient use of inventories.

In view of the serious problems in the development and use of inventories, the CSSR Government continues to deal with these issues--most recently on 15 November 1984, when the government discussed and approved documentation concerning further regulations in the inventory sector. The measures and tasks stipulated there pertain, on the one hand, to 1985, and on the other, to the Eighth 5-Year Plan. They are part of a set of measures promulgated by the CSSR Government already in Decision No 74/1984, Decision No 157/1982, and Decision No 243/1984. To increase the share of available marketing supplies by transferring the supplies from the consumers to marketing organizations, the CSSR Government assigned the ministries the task to survey marketing organizations as regards their fulfillment of their function and to expand the range of their responsibility in order to rationalize the marketing processes, to create readily available supplies, to upgrade the structure of inventories, and to improve supplies in our national economy. At the same time, it stipulated that redundant marketing operations within the VHI be eliminated in cases where the organizations of a VHI stock supplies of goods manufactured by that particular VHI, for use in their own production.

Furthermore, it stipulated that the situation and structure of inventories for the market in our industry and construction be reviewed and on that basis, that it be immediately determined where to stockpile inventories for the market and in what structure, and that specific tasks in their structural adaptations be set for better satisfaction of consumers' needs and for accumulation of readily available supplies for the market. In order to improve the supplier-consumer relations, it stipulated that the terms for submitting orders be reviewed and adjusted so that they express objectively the technically unavoidable schedule for internal preparations, production and delivery. To improve the structure and management system of spare parts, it stipulated that central storages of spare parts for technological facilities be organized, or that the manufacturer who also supplies technical equipment store spare parts; furthermore, that central records be kept and supplies of spare parts be centrally managed on the middle management level; in cases where organizations have identical technical facilities, that conditions be provided to inter-change spare parts so that as much

machinery as possible be purchased from the same manufacturer, and that it be considered whether it may be feasible to implement expeditiously the proposal for offering under flexible and advantageous conditions to organizations repaired or new spare parts in replacement for their damaged or worn-out spare parts. It stipulated that in order to improve the management of the process of development, management systems for the development of inventories be designated, beginning with procurement of inventories for production, through unfinished and finished goods, including determination of responsibility for the development of inventories and for incentives; that computer technology be used more efficiently to synchronize the procurement of supplies and the development of unfinished production with the processes of production and marketing; that the plan for the distribution system be thoroughly interconnected with the plan for production and with the financial plan; that they be interconnected on the enterprise level, and that by more intensive correlations of the plan for production of goods, both in quantities and in assortments, orders of materials and subdeliveries be related with the organization's capacity to fully satisfy consumers' needs. Furthermore, many specific measures were stipulated to enhance the impact of finances, credits and wage incentives on the development of inventories.

To encourage the interest of organizations in efficient use of inventories, the Czechoslovak State Bank was assigned to set lower basic interest rates on credits for inventories that are used more efficiently than at the beginning of the Seventh 5-Year Plan, and to grant preferential interest rates for improved efficiency of inventories. The Federal Ministry of Finances will stipulate in accounting regulations a mandatory term decisive for the accounting of invoices received by consumers so as to prevent manipulations in accounting of inventories at the end of the accounting period. In determining wage incentives for economic managers economic ministries and central agencies managing economic organizations must also consider regular development of inventories achieved during the year and the implementation of measures for the use of phased-out inventories in 1984.

The CSSR government stipulated that economic ministers specify details of objective measures for releasing unused assets in inventories to individual organizations in such a way that those measures led to permanent release of unneeded inventories. This means total reduction of inventories in our national economy in 1985 by Kcs 1.4 billion as compared with the effect projected for 1984, and relative releases of inventories in the amount of Kcs 7.5 billion, with a turnover of inventories accelerated by 3.1 days.

In addition, more efficient regular reviews of the development of inventories would undoubtedly improve the management of their development. In most enterprises and VHM at present such reviews are still focused primarily on operational solutions of short-term problems in supplies of material needs. This mechanism is being applied for less to resolve the underlying causes of the unplanned development of inventories.

All the shortcomings and problems described above led not only to an unplanned development of inventories but frequently also to the development of such



inventories which a particular enterprise could not use over an extended period, or which it did not need at all. Nevertheless, only scant attention has been paid in the past to the problem of thorough assessment of inventories according to specific items and their utilization in the enterprise's production program. It was only on the basis of Decision No 49/1981 of the set of measures and of Decision No 329 of the CSSR Government of the same year that greater phasing-out of inventories began. While Decree No 49/1981 of the set of measures was in force, i.e., from mid-1981 to mid-1984, about Kcs 27.1 billion of inert inventories were phased out, of which inventories in the value of Kcs 8.4 billion were newly released in 1984, including Kcs 6.3 billion in organizations of centrally managed industry and construction. The largest inventories were phased out by the Ministry of General Engineering (Kcs 2.2 billion), the Ministry of Metallurgy and Heavy Engineering (Kcs 1.5 billion), the Ministry of Electrical Engineering (Kcs 0.6 billion), the CSR Ministry of Industry (Kcs 0.7 billion), the SSR Ministry of Industry (Kcs 0.5 billion) and the CSR Ministry of Construction (Kcs 0.4 billion); in nonindustrial ministries most inventories were released in organizations of the CSR Ministry of Agriculture and Food (Kcs 0.6 billion). The results of phasing out disclosed untapped assets that may be used to improve the management of inventories, especially by enforcing the principle of continuous releases of such excessive supplies (in the sense of the goal-oriented tasks of inventories in 1984). As demonstrated by the survey conducted by the bank, although it is extremely important to phase out supplies in order to improve the entire management of inventories, partial shortcomings in the planning and implementation of the whole program were in evidence even in 1984. Most ministries and VJH issued their executive directives for releases too late; some organizations did not phase out all their inventories in all enterprise subdivision units. Personal wage incentives to encourage interest in prompt and full releases of inventories had not been adequately specified and used. Phasing out of inventories in accordance with their potential utilization by a specific enterprise requires constant attention because it is one of the ways to more efficient management of inventories. In spite of the shortcomings in the releases thus far, this program has disclosed considerable unused assets in the existing block of inventories. As a matter of fact, in some instances the released supplies had been stored completely needlessly for 10 or more years. It is therefore imperative to provide conditions for turning the phasing-out process into a continuous program and focusing it on the whole block of existing inventories.

Objective, and at the same time mobilizing, standards of inventories are important for a systematic and efficient development of inventories. Thus far standardization of inventories has failed to fulfill its purpose, because it does not express objective national economic needs of inventories. Instead, enterprises frequently use conversions of standards of inventories to justify their higher need of inventories than stipulated in the planned task of inventories. For that reason our government stipulated in its decision No 157/1982 that the fourth stage of specification of standard inventories be completed before the end of 1984. In this context it demanded that economic ministries assign their enterprises specific tasks to strengthen the standards for inventories and thus, to guarantee that the fourth stage

will really lead to continuous releases of unused supplies. However, the approach of the enterprise sphere to this fourth stage in intensification of standards thus far failed to offer any guarantee that already in 1985 standardization will be a mechanism for objectivization of the needs of inventories and a long-term indicator of the goal which the planned situation of inventories should attain. This is demonstrated in cases where the implemented "specification" of standards would mean actual increases of inventories up to 20 percent. Therefore, our government demanded that ministries assess the results of the fourth stage in intensification of standards of inventories, and if this stage has not intensified standards in VHI and organizations, then to set a procedure to intensify the standards of inventories further, for example, by stipulating goal-oriented tasks for intensification of standards or by intensification of standards of inventories in an extent that ensures the planned acceleration of the turnover of inventories, etc.

Together with other objective agencies the Czechoslovak State Bank exerts direct influence on systematic development and efficient use of inventories in our national economy. It has the preconditions for that, because through its branches it is in daily contact with practically every organization; in addition, more than 50 percent of the inventories in our national economy are covered with operational bank credits.

Therefore, by pressing for the best possible development of inventories the bank uses above all credits, interest and credit records. Its credit policy is based on a differentiated effect on organizations in order to promote main directions of intensification, i.e., even more thorough exploitation of the assets in inventories. Its financial plan is focused on tangible restrictions of negative trends in accumulation of inventories and on the use of assets in inventories accumulated in past years; by the same token, it stresses in particular a better structure of inventories in circulation and their modification. On the one hand, the bank uses credit in support of accumulation, for example, of necessary inventories for the market, pre-season fuel supplies, advanced imports under favorable conditions of foreign exchange, and procurement of waste metals, but on the other hand, by refusing credits for inefficient consumption, by restricting credits and by more rigorous credit conditions it exerts greater pressure to eradicate shortcomings and undesirable deviations in the inventory sector. This is evident from the fact that in essence it fully covers seasonal fluctuations of inventories in organizations throughout the year with credits -- after the organizations exhausted their internal resources -- but only if this is planned short-term seasonal fluctuation approved in credit records, in other words, after it has ascertained that this fluctuation was in fact caused by the seasonal development and not by inefficient organization of production, marketing and supply operations. In the same way, the bank promotes the process of continuous release of inventories by granting credits for unnecessary supplies, however, it provides such credits only on the condition that the same types of supplies that have been phased out in previous years are not being phased out again, and that the organization in question is not procuring the same kind of supplies as the ones it has phased out.

Furthermore, credits are used to stimulate interest of organizations in an efficient development and use of inventories, above all in the stage when the basic interest rate on credits for inventories is being set. This basic interest rate is determined in a differentiated way according to the rate of acceleration or deceleration of the inventory turnover in percent in comparison with 1980, in the range from 3 to 10 percent. In cases where the efficiency of management of inventories has improved since the beginning of the Seventh 5-Year Plan, which helped improve the structure of inventories, increase available supplies for the market, upgrade unfinished production and consolidate standards of inventories, the basic interest rate determined in this fashion may be further cut by 1 percent, so that the lowest interest rate is 3 percent. By the same token, by granting preferential interest the bank fosters efficient management with inventories, particularly the implementation and fulfillment of objective measures for continuous phasing out of unused assets in inventories specified by superior authorities. On the other hand, the bank uses prejudicial treatment to penalize inefficient stockpiling of inventories and their underutilization.

The bank also conducts its auditory and analytical operations so as to achieve the best possible development of inventories and their efficient exploitation. Such activities have been directed recently above all at assessments of the course and especially results in phasing out of the inventories, at improved standardization of inventories, at the application of wage incentives in the development and exploitation of inventories, at the accumulation of necessary supplies for the market, and at the standard of operations of marketing and supply organizations.

Nevertheless, we must realize that by themselves the procedures and measures of the bank (and of other objective agencies) aimed at more efficient development and use of inventories cannot guarantee an improved development of inventories. That calls above all for responsible efforts of all organizations which manage inventories. Appropriate enterprise managers must be fully aware of the fact that the task of all our working people is to contribute to a dynamic development of our national economy and thus, also to rational management in the sector of inventories.

9004

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CZECHOSLOVAKIA

SICK-LEAVE ABUSE SEVERELY CRITICIZED

Prague RUDE PRAVO in Czech 12 Jun 85 p 5

[Article by MUDr. Vlastimil Drbohlav, CSc., director of the Central Health Insurance Administration: "On Sick Leave: There is No Need to Think Up New Measures, Just Properly Stick to Those Established"; passages enclosed in slantlines printed in boldface ]

[Text] /Sick leave in its totality is a complex social phenomenon in which the effects of the nature of ill health come into play along with the disruption of health and the demands of work. The specifics of each of these are given by the degree of social security and relics in people's thinking stemming from improper relations to common ownership. Their influences are notably dependent on the degree to which the individual is made part of social production and their effects are reduced wherever people are satisfied at work and in their work. Group effects have their origin in the low level of interconnectedness between the enterprise facilities and those of health services. In certain situations, the enterprise to date is rewarded with savings in wages at the expense of the health services./

Two aspects are intertwined in the development and extent of sick leave. On the one hand, there is care about people's health and a harmonious physical and mental development of people's personalities, along with taking care of all citizens if there is a loss of or a change in their ability to work. This aspect of caring for people is far and away the predominate one in a socialist society, but not even such a society can afford to lose sight of effective utilization of those resources designated for the social area. Higher levels of sick leave always affect the creation of the social product. /One-tenth of a percent sick leave represents an annual average of Kcs 160 million in sick pay and over 7,000 people absent from social production daily. From the standpoint of the creation of the national income, this is a value of around Kcs 500 million./

From the standpoint of a complex approach to sick leave, absence for sickness or accident cannot be a responsibility of just the medical personnel who decide on fitness for work or just the professional agencies administering the health services facilities. The measures which are supposed to influence this social phenomenon favorably must therefore also reach into other, apparently unrelated, sectors of social life.

From this overall idea has come the concept of the Measures of the CSSR Government and the Central Trade Unions Council on Carrying Out Analyses of Sick Leave. It was approved by the presidium of the Central Trade Unions Council on 8 August 1982 and by the CSSR Government on 16 December 1982 by Decree Number 358. It is therefore binding for both trade union elements and state and economic agencies as well. The measures retained the proven principle that sick leave analyses are performed in the trade union agencies. There is a substantial change in the fact that the measures place an obligation on state and economic agencies to prepare the analyses for discussion in the trade union agency. It is precisely stated what must be included in the analyses. The tasks of the factory and district physicians are designated in the same manner. The conclusions of the analyses must express the mandatory establishment of tasks to resolve problems and the designation of time schedules and personal responsibilities. The factory committee of the ROH (Revolutionary Trade Unions Movement) is then obligated to familiarize itself with these conclusions at the next membership meeting or conference and thus to take implementation of the tasks under public control.

Information on implementation of the "Measures" is unsatisfactory. The ROH officials state that the weak link is in the preparation and discussion of the analyses and particularly in setting specific goals for the factory supervisors. The heads of economic work areas do not overall give sufficient attention to the trends in sick leave, even though on the other hand they often complain about labor shortages. A number of them are not aware of the obligation to prepare submissions and to take part in the discussions in the trade union agencies.

We have had more favorable experiences with the approach of the plant physicians in fulfilling the established goals. Most of them have understood the significance of the "Measures" for achieving higher quality health care for the workers, especially from the standpoint of getting rid of negative influences on the human organism.

At the beginning of 1985, sick leave analyses were performed in almost all plant trade union agencies. The improved quantitative aspect has so far not been accompanied by higher quality. To date, many of the analyses are just an overview of the statistical data without any attempt to find the reasons for absences. As a consequence of this, it is not possible to determine what specific actions should be taken to do away with the problems, so that the factory committees of the ROH cannot even familiarize the workers with the conclusions of the analyses.

/We cannot permit any overlooking of this situation because the development of sick leave has not been favorable in the last 5 years. It is characterized by increasing sick leave by women, a growth in accidents off the job, and an extension of the average length of time. The difference in the extent of sick leave between the national republics has been gradually diminishing because of a more rapid growth in Slovakia./ The reasons for a higher percentage of illness in the CSSR as a whole are the well-known influenza epidemics in 1980,

1983, and 1984; an aging population; environmental changes; and changes in the organizational level of health care. A number of the causes have a common denominator, however, in the decline of social awareness and responsibility.

It is not necessary to think up and implement new measures to achieve a reversal in the sick leave trends. Society has enough of them, including legislative ones. The decisive factor is knowing how to manage them and being able to force the undisciplined individual to respect them.

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CZECHOSLOVAKIA

MINISTER OUTLINES ELECTRONIFICATION PROGRAM

Prague MECHANIZACE A AUTOMATIZACE ADMINISTRATIVY in Czech No 4, 1985  
pp 122-125

[Article by editors of MECHANIZACE A AUTOMATIZACE ADMINISTRATIVY: "For a Program of Electronification"]

[Text] In April of last year the Central Committee of the CPCZ at its 10th session occupied itself with the tasks and development of the engineering industry, the electrotechnical industry and the metallurgical industry. The electrotechnical industry came in for some not insignificant attention. The main thoughts of the conclusions attending the 10th Session of the Central Committee of the CPCZ were: raising the dynamics of development, making the plan more progressive, increasing profitability and intensification of the national economy.

In 1983 and 1984 the electrotechnical industry increased the rate of its development to the extent that it now has realistic prerequisites for fulfilling the original indicators of the 7th Five-Year Plan. A decisive and still open problem of the industry in the current 5-year plan remains its exports to non-socialist countries.

In September of last year the government of Czechoslovakia approved a program for the electronification of our national economy by 1995. The responsibility for developing the material-technical base for this electronification lies with the sector of the electrotechnical industry. From the very beginning of this department the priority development of electronic component production has been applied. Production of these components is growing at a high yearly rate of around 125 to 130 percent. Nevertheless, there is a constant shortage of electronic components. This is caused by the rapid pace of electronification in our final products and by the ongoing introduction of electronics in all branches of the national economy.

Positive results of last year include the rapid development of microcomputer technology, the initiation of the production of 67-cm color television tubes in new facilities having their own glass semiproducts originating at Valasske Mezirici. The share of products having a high technical-economic level has continued to rise. Extraordinary measures were employed to master the tasks involved in developing mines and nuclear power plants. Nevertheless, a number

of shortcomings in deliveries for capital construction, in profitability and in exports persist.

This is the 40th year since the culmination of the national liberation struggle of the Czech and Slovak people and the liberation of our country by the Soviet Army. All over the world activity intended to maintain peace and to avoid nuclear war will continue. Workers of the Czechoslovak electrotechnical industry will also share in these peaceful endeavors. They will contribute through their successes in fulfilling the tasks set forth in the plan, in quality, in increasing the profitability of production, in raising the ability to compete in world markets, in speeding up innovation of our products and systems.

After evaluating the results of the 1984 plan fulfillment Minister Milan Kubat devoted attention to the demanding program of the electronics industry this year.

#### Plan Tasks for 1985

Following the good plan fulfillment in the years 1983 and 1984, the tasks for 1985 were specifically rendered more progressive for us on the basis of the Czechoslovak Government Resolution No 120/84. In 1985 the areas for which the Federal Ministry of the Electrotechnical Industry (FMET) is responsible will increase production of merchandise to 110.1 percent and will thus meet the intentions of the 16th Congress of the CPCZ--namely to increase the volume of production of merchandise during the 7th Five-Year Plan to more than 150 percent. We intend to attain above average dynamic development particularly in areas falling into Federal Goal-Oriented Program Nos 09 and 11:

1. Federal Goal-Oriented Program 09--electronics--area 371, components for electronics 118.3; area 372, semiconductor elements 123.6; area 373, micro-electronic circuitry 155.4; area 375, vacuum elements 122.3;

11. Federal Goal-Oriented Program 11--technical means for automated systems of controlling technological processes of production and nonproduction activities--area 403, computer technology 124.7.

Special attention in assuring the production plan is necessary with respect to realizational outputs of the state plan of development as they pertain to science and technology where tasks have thus far not been fully mastered. The following are among the most significant outputs with respect to volume:

1. at the ZVT [computer technology enterprise] at Banská Bystrica: introduce production of the high-efficiency minicomputer Model SM 52/11-1 and produce 55 units valued at 48 million korunas; introduce production of the SM 50/50-1 microcomputer system and produce 200 units valued at 40 million korunas;

11. at the ZPA [Machinery and Automation Plants] at Čakovice: introduce production of the EC 1027 computer system and produce seven units valued at 55 million korunas;



iii. at the Kablo Enterprises at Kladno and Bratislava: introduce production of innovated cables and XPE insulation for 22-kv lines; produce 500 units valued at 53 million korunas;

iv. at the TESLA Enterprise at Piestany: introduce production of NMOS memories (equivalents of 2114 and 2718); produce 88,000 units valued at 20 million korunas;

v. at the TESLA Enterprise at Roznov: introduce the technology for producing eight-bit converters into production and produce 545,000 units valued at 22 million korunas.

Similar attention must be devoted to every realizational output, even if it is less significant with respect to volume, in every organization and to strive for the desired increase in production.

#### Planned Tasks in Sales Categories

##### Deliveries for Investments

In 1985 our industry is faced by delivery obligations, particularly for construction projects involving fuels and energy complexes, as well as for selected projects followed by the Czech, Slovak and the federal government.

In assuring the tasks in the listed areas of capital construction a decisive role must be played by the newly established ELEKTROMONT Economic Production Unit which, in covering resource requirements, must fully master the rate of the construction and engineering departments in capital construction. I identify by name those construction projects which will command our attention in 1985: block 2 of the nuclear power plant at Bohunice, blocks 1 and 2 of the nuclear power plant at Dukovany, the Maxim Gorkiy large-scale quarry, the cold-rolling mill at the Beroun Metallurgical Combine, the aniline block at the Moravian Chemical Plants at Ostrava, the mill at Kosice and other projects which it is necessary to complete by the deadlines specified.

##### Consumer Goods

Deliveries to consumer goods inventories in 1985 are rising at a rate of 109 percent compared to 1984. The demanding nature of this task became clear by the time the plan was being accepted. However, the domestic market still has sufficient room for our products. Nevertheless, we must bring to it such products which are in demand.

To satisfy demand we are short more than 100,000 table-model black-and-white television sets and demand must be covered through imports. Commerce is requiring double the quantities of small domestically produced color television sets than we have thus far offered. In this area in addition to the production economic units the TESLA-ELTOS Enterprise has great tasks to perform.

We cannot be satisfied with the reasons that supplier-consumer negotiations between enterprises and economic production units regarding domestic market



deliveries went well and were concluded without conflict. In actual fact, we owe a lot. From this standpoint it is necessary to make sure that domestic trade receives merchandise valued at 7.4 billion korunas. This goal must be contributed to not only by the TESLA-SE concern, which carries 62 percent of this task, but by all economic production units which must organize a broader contact with individual enterprises in this regard and account for at least 1 percent more of the goods produced.

According to our records this task has not been thus far mastered by the following enterprises: the BEZ Enterprise at Bratislava, the MEZ at Vsetin, the MEZ at Brno, the MEZ at Postrelmov, the EJF Enterprise at Brno, the OEZ Enterprise at Letohrad, the ETZ Enterprise at Teplice, the EP Enterprise at Louny, the ZPA Dukla Enterprise at Presov, the ZPA at Kosire, the TESLA Enterprise at Strasnice, the Vacuum Technology Plant at Liptovsky Hradok, the Karlin Enterprise and the CHIRANA Enterprise at Brno.

The goal that we set, namely to deliver to the market merchandise valued in retail prices equal in volume to the amount of the salaries paid to workers in the department, continues to elude us. In 1985 we lack more than 700 million korunas toward this fulfillment. It is the obligation of all organizations to solve this problem as soon as possible, that is to say, by the beginning of the next 5-year plan.

#### Exports to Socialist Countries

The intrayear trend in exports to socialist countries has reached 110.7 percent in comparison to 1984. The demanding nature of the tasks which face us this year can be seen from the fact that the proposed annual protocol volume amounts to only 91.4 percent and the concluded agreements amount to only 81.7 percent. Enterprises of the economic production units are facing the pressing task of augmenting the negotiated levels up to the level of the planned task, to contract for orders and to realize these sales in time.

The goal of exports is to ensure, particularly through the form of specialization, reciprocal deliveries for the needs of the Czechoslovak electronics industry, particularly with respect to the component base for final products in the computer technology area, in consumer electronics, etc.

I once again wish to place special stress on exports to the USSR, which will accept only products which are qualitatively on a high technical level and will also demand deliveries at prices which are comparable with world competition. This leads to the need to fundamentally change the policy of trading with the USSR in 1985 but particularly in the subsequent 5-year plan: to produce products which the Soviet Union requires (for example, more television sets) and to speed up technical development and innovation of all traditionally delivered product assortments. Further, we must ensure the flawless and reliable operation of even such complicated installations as is the electronic lithograph.

## More Elasticity and Entrepreneurship

The assurance of exports to nonsocialist countries is a key problem faced by the industry and each large-scale enterprise must contribute to its solution. Compared to the fulfillment of the plan in 1984 the rate of growth of the export task to these countries is roughly 127 percent (it is 114.8 percent compared to the 1984 plan). The timely fulfillment of the export tasks is an economic necessity, since the realization of imports, without which smooth production is not possible, depends on them.

Our export capabilities in nonsocialist markets represents a mirror of the technical maturity and quality of our products. Virtually all professions share in the successful fulfillment of exports, beginning with the development engineer, the designer, the technologist, all workers in production up through the dispatcher. A great role is played by the level of commercial technical work conducted with foreign trade enterprises.

An example of how it is possible to expressly increase the share of exports to nonsocialist countries under the currently difficult situation is the activity conducted by the large scale Zbrojovka Enterprise in Brno which is involved in comprehensive deliveries of complete capital installations designed to equip middle-level and specialized education in Nigeria. This activity can serve as an example for quick action to other economic production units from which we expect a more initiative approach in creating conditions for the execution of their function as the principal supplier, specifically the VHJ CHIRANA with respect to complete capital installations involving hospital facilities, including the construction components, but also as an example for others such as the TESLA-IE Enterprise in the area of TV sets, the newly established ELEKTROMONT Economic Production Unit which produces comprehensive installations for regulation measuring and for electric circuits, and others.

In contrast the failure to solve some shortcomings in the quality of exported products, such as, for example, of aluminum cables and phonographs, where gross violations of technological discipline were noted, cannot be evaluated in any way other than critically.

The specific improvement in the level of our exports to nonsocialist countries, which we expected from some experimenting economic production units, has thus far not shown up. We are forced to determine that possibilities such as, for example, tie in trades to the extent that exports and imports are concentrated in one enterprise, as is the case in the VHJ ZSE and CHIRANA, were inadequately utilized.

## Input Levels Specified in the 1985 Plan

The limits of fuel and energy, determined for 1985 for the industry, are adequate with respect to all types of fuels to assure the proposed growth production provided the established lowering of power requirements is observed. The gradual introduction of technically justified standards over the course of the next year with respect to selected energy-intensive products will result in the formation of prerequisites for the permanent reduction of fuel and energy

consumption. Standardized consumption in the industry will represent 91 percent of fuel consumption and 9 percent of electric energy consumption of the overall limits in the industry.

Czechoslovak Government Resolution No 151/1982, pertaining to the 7th Five-Year Plan, assigned the Federal Ministry of the Electrotechnical Industry area the task of achieving the goals set forth in Federal Goal-Oriented Program No 2 for 1985--the relative savings in fuels and energy at a level of 762 TJ [terajoules]. The implementing plan of Federal Goal-Oriented Program No 02 for this year fully covers the above-mentioned task. The plan reflects also the proposals which arose on the basis of the communal verification of economizing in fuels and energy. All economic production units are creating prerequisites for assuring the orientational tasks of the state plan which apply to the large-scale concern enterprises of the industry and resulted from the challenge issued by the 10th All-Union Congress calling for the attainment of additional savings above the goals specified by Federal Goal-Oriented Program No 02 to the extent of roughly 124 TJ. Furthermore, in the industry the task of lowering energy requirements in production in terms of fuels to a level of 8 tons of standard fuel per 1 million korunas HV [expansion unknown] and with respect to electric power to 19.3 MWh per 1 million HV will be assured.

Within the framework of Federal Goal-Oriented Program No 03--rationalization of metals consumption--the area under the jurisdiction of the Federal Ministry of the Electronics Industry was assigned a relative saving of 19,000 tons of ferrous metals for the year 1985 and 3,500 tons of nonferrous metals. This significant task was worked out by the economic production units and absorbed into their implementing plans including into the orientational tasks set by the state plan which stemmed from the challenge of the 10th All-Union Congress. The 1985 plan corresponds to the realistic possibilities of the industry and will culminate in the assurance of the tasks for the entire 7th Five-Year Plan.

### Capital Construction

The high tasks of the industry with respect to output indicators contained in the plan are based on the permanent increase in investment capital. In 1985, compared to this year, the index is 1.19. This places increased amounts on timely and quality preparation of construction projects where not everything is always in order.

In 1985 some 11 construction projects will be completed, that is to say, about 50 percent more than in 1984, although 8 construction projects will be headed for completion, that is to say, double the amount of 1984. For the development of the electrotechnical industry, particularly five construction projects valued at 628 million korunas are decisive, including 438 million korunas involved in construction work. We are talking about the reconstruction of the Pecky Machinery and Automation Plant, which was the Cakovice Municipal Enterprise, the Data System Enterprise in Bratislava, the completion of the II Machinery and Automation Enterprise in Presov, the Galvanizing Plant at Jihlava, the Middle Level Specialized Training Center at Kosice. Simultaneously, 1985

will see the completion of eight construction projects valued at a total of 1.037 million korunas.

#### Technical Development, Innovation Programs, New Products, Technical Level, Quality, Innovator Movement

The technical development plan for 1985 includes a total of 30 state tasks. Some 448 million korunas from the state budget and some 1,925 billion korunas from industrywide resources are planned for the solution of these tasks.

In 1985, compared with previous years, there is a slight decrease in the volume of funds from the state budget which is caused by the fact that the overwhelming part of the tasks will be concluded in 1985 and the expenses for their solution are lowered. For the first time in the 5-year plan, however, we are seeing the full coverage of the requirements for financing the solution of tasks set forth in the state plan of technical development. Of the total of 30 state tasks contained in the plan for technical development, solutions for 12 tasks will be concluded in 1985.

With respect to realization of improvement suggestions and inventions, the results during the first 3 years of the 7th Five-Year Plan were above the level of the all-state average but we cannot be reconciled with the fact that only an average of about 78.9 percent of the patented inventions, 86.4 percent of the accepted innovation proposals and 62.8 percent of the solved tasks were actually utilized during this period.

Some 25 new innovation proposals valued at about 1.6 million korunas in rewards are proposed for 1985 and solutions to some problems identified in 1984 are continuing. However, it is necessary to say that in a number of cases unsuitable proposals are being presented and it is necessary to critically point at the economic production unit of TESLA-ES in Bratislava and TESLA-IE in Prague, which did not present any proposals for 1985. No interest was also shown by the TESLA Research Institute for Communications Technology and the Research Institute of Mechanization and Automation.

#### International Cooperation

An important role on the way toward the transformation of our production-technical base and toward the attainment of greater economy in production is played by socialist economic integration. Exports of our industry for 1985 are scheduled to attain a value of virtually 4.4 million [sic] korunas in terms of prepaid freight prices; imports are anticipated to be valued at 3.5 billion korunas in prepaid freight prices. The proposal of the plan of socialist economic integration covers 31 percent of the exports and 64 percent of the total imports of our industry. We have concluded a total of 89 contracts regarding specialization and cooperation in production, which will secure 48 percent of the overall export volume of the industry, with CEMA countries.

Currently, our industry is checking the conditions of transformation to higher forms of international cooperation and, primarily, regarding scientific-production and research-production cooperation and joint enterprises, both with



CEMA countries as well as with some developed nonsocialist countries. We have concluded a total of nine cooperative agreements with nonsocialist countries, primarily in the area of consumer electronics, communications technology, design components and heavy-current electrotechnology and are in the process of negotiating seven other concrete proposals for cooperation.

The component base must continue to play a decisive role with respect to the further development of the electronification of our national economy. We have concluded intragovernmental agreements with respect to mutual collaboration in this area with the USSR, the Hungarian People's Republic and the GDR and we are constantly sharpening the specialization agreements with all CEMA countries; we are preparing the establishment of a joint enterprise for the production of integrated circuits with the Hungarian People's Republic. However, we continue to fail to attain the contemporary world trend stemming from the constant development of this assortment of merchandise, that is to say, the assurance of 40 percent of the overall demand through domestic production and 60 percent through exports within the framework of international exchange. And it is precisely in this area that the international division of labor involving the TESLA Roznov concern must play a decisive role.

The third area of basic goals involved in international collaboration and integration is the speeding up of the introduction of audiovisual technology in the daily life of our society. It will be necessary to exert still greater effort, primarily in the area of the international division of labor, to assure the earliest possible introduction of the production of a complete line of video tape recorders, digital phonographs and laser cameras, new types of portable color television sets and other products. To this day, TESLA-SE in Bratislava has been unsuccessful in concluding an agreement with respect to joint development with the USSR and yet additional cooperation is already being worked out with the Polish People's Republic. This is already connected with the realization of the international exchange of color picture tubes, in which we are exchanging our 26-inch and 22-inch tubes for 12-inch, 14-inch and 16-inch tubes with the USSR, the Polish People's Republic and the GDR. We have initiated cooperation even with respect to other innovations regarding color television tubes which have just been introduced in the Polish People's Republic.

#### Development of Work Initiative

An important factor in managing work collectives and in fulfilling plan tasks is the development of work initiative. In 1985 the development of socialist competition will be aimed primarily at the following:

- i. savings in fuels, energy and metals;
- ii. increasing the share of the area under the jurisdiction of the FMEP in assuring the program of electronification of the national economy;
- iii. assuring the fulfillment of export tasks, particularly from the standpoint of innovation with respect to products;

- iv. creation of conditions for lowering the demanding nature of imports;
- v. assuring deliveries for the development of the Czechoslovak nuclear program and the fuels and energy complex;
- vi. fulfillment of the plan of personnel and social development;
- vii. assuring of deliveries for engineering and finishing sectors;
- viii. assuring of production of consumer goods at a level of 1 percent of the volume of merchandise production.

#### Directives of the 8th Five-Year Plan

The 8th Five-Year Plan anticipates the dynamics of production of the sector 164 to be as much as 167 percent compared to 124 percent of the average of the engineering industry. This, in itself, represents a significant change in the structure of the national economic outlook.

In harmony with the conception we are anticipating the priority development of microelectronics, computer and automation technology, measuring and laboratory instruments. The dynamics of development for individual economic production units is specifically differentiated. With respect to merchandise production it is from an index of 133.5 at the ZSE in Prague to an index of 244.7 at the TESLA-ES in Roznov. The differentiation between sectors is even more specific; for example, in microelectronics we expect an index of more than 300. In other words, we are continuing with changes in the structure within the industry.

During the 8th Five-Year Plan the organizations of the industry will share in the tasks of all 13 proposed federal goal-oriented programs. From the 7th Five-Year Plan, programs 01--development of nuclear energy, 02--rationalization of consumption of fuels and energy and 03--rationalization of metals consumption continue. The addition is our industry to Federal Goal-Oriented Program No 07--material-technical base of electronics.

For this industry the government has approved the volume of work and deliveries pertaining to capital construction valued at 25 billion korunas for the next 5-year plan. However, there are some mitigating circumstances. The volume of construction work is limited to 5 billion korunas. We must produce machines and equipment valued at 7 to 9 billion korunas ourselves. Two billion korunas of the total sum are designated as a reserve for quick return engineering investments and DNU [expansion unknown]. The strict maintenance of the principles of profitability is a given and a condition which is not subject to discussion.

So much, therefore, from the speech of Minister Milan Kubat on the tasks of the next planning period. They are not small but the electrotechnical industry is deliberately concentrating its forces and means upon decisive goals. And the workers of this industry are ever more conscious of the fact that they are the advance guard of decisive changes in our entire national economy. The



program of electronification reaches to the roots of the Czechoslovak economy, it will affect profitability of domestic production just as it will the export capabilities of our products.

This year is a year of significant political anniversaries, a year of rising initiative on the part of all workers. And it is desirable to the maximum extent that everyone deliver good and honest work at their place which is so necessary for the development of the Czechoslovak national economy.

5911

CSO: 2400/495

CZECHOSLOVAKIA

MINISTER URGES TAKING BETTER ADVANTAGE OF STEEL PROPERTIES

Prague TECHNICKY TYDENNIK in Czech No 17, 1985 pp 1-2

[Article by Prof. Ing. Zdenek Prusa, DrSc., Deputy Minister of Metallurgy and Heavy Engineering Industry of the CSSR: "Taking Better Advantage of Material Properties"]

[Text] A successful solution to the rationalization of the consumption and the increase in value of metals in our national economy is directly connected with solving strategic questions of the development of volume and structure of our metallurgy and heavy engineering industry production. The intensification of our national economy demands that our metallurgists meet the needs of the national economy and at the same time reduce the production of pig iron and steel. In accordance with the results of the 10th session of the CC CZCP, we are creating conditions that would allow a gradual reduction of annual consumption, particularly of pig iron, and provision for the planned requirements of the national economy for rolled materials and pipes. To attain such goals, which bring considerable savings of fuel and energy, it is necessary to introduce effective measures not only in metallurgy itself but in consumer branches as well.

At present, economical exploitation of metals in the metallurgy and heavy engineering branches should be considered as the decisive area in metal savings. During the metallurgical cycle occur irreversible losses of more than 11 percent of the material charged. The circulating waste makes up almost 30 percent of the entire production volume. The quantitative losses are further increased by the processing of metals in heavy engineering industry. Only a part of the smelted steel gets into the final products and therefore we have to attempt to make this part as high as possible, as every increase by one percentage point brings considerable savings. To utilize the enormous potential for saving metal and energy in metallurgy and heavy engineering is by far not only our specific problem. All industrially developed countries in the world are making great efforts to solve this problem.

In ferrous metallurgy, the principal resources of saving metals are the following measures:

- transition from the Siemens-Martin process to oxygen converters, expansion of electric steel production and exploitation of extra-furnace refining,

- mass application of continuous casting,
- increased quality of parameters and particularly increased stabilization of steel properties, which is one of the most important conditions of a further technical development of the branches related to ferrous metallurgy,
- development of such forms of rolled material and pipes which will enable to lower the production norms in metallurgy,
- replacement of universally used carbon steel by high-resistance and micro-alloyed steels which are rapidly prevailing in the world-wide development and bring many advantages. Among the principal advantages belongs the weight reduction of engineering industry products.

Outside of structural changes in the hitherto dominant metallurgical technologies, there exist other points of the metallurgical cycle where the management of metallic substances can be improved. These are, above all, lower irreversible losses caused by melting losses and light ashes. As long as they will continue to occur, the metals of such wastes should be optimally utilized. This means the exploitation of slags, scales, dusts and sludges which, so far, we have been processing on a small scale.

An important source of metal savings is the limitation of losses occurring at the processing of steel into metallurgical products. These are, first of all, the precision rolling with minus tolerances where, according to experiences from the SSSR, GDR as well as our own findings, the real savings attained are from 1 to 3.6 percent; further, it is the optimization of warming-up processes in soaking pits aiming to reduce melting losses; the limiting of the percentage of burn-offs on medium and light section mills by application of single heat rolling operations and also more precise controls of rolling processes with the help of micro-electronics, which allows to diminish the blasting losses up to 15 percent.

These are the most important guide-lines which should make it possible to intensify ferrous metallurgy, to lower its energy and raw material demands, while at the same time assuring full coverage of the needs of our national economy. Simultaneously, it is one of the inevitable conditions for the solution of a new stage in metal savings in the engineering industry and other branches of our national economy which wait for new and better quality metallurgy products.

The results of the fulfilling of the national goal-oriented program 03 for the first semester of 1984 were very successful and have such a great economic importance that they highly exceed the efforts and expenses put into the program. For the first semester, the annual volume of planned savings was fulfilled for ferrous metals at the rate of 59 percent and for non-ferrous metals, 57 percent. An important part of these saving measures represent particularly the rationalization actions of the national goal-oriented program 03 such as the continuous casting of steel into slabs in the VSZ Kosice, the continuous steel casting in the Sverma Iron and Steel Plant Podbrezova,

the moulding in reduced metric weights in the EPU Ferrous Metallurgy and the reduction in metal substance losses by skimming of basic pig iron from slag in Vitkovice. In the branch of heavy engineering, we are implementing the shortening of innovation cycles of our products and the increase of their export possibilities. This is primarily contingent upon their lower weight, while the production dependability is preserved or even increased.

Although every year this trend economizes ferrous and non-ferrous metals, we continue to have unused resources in pre-production stages, where the more accurate definition of calculating methods, forms optimization, quality analysis together with the utilization of economically designed semifinished products and progressive metallurgy materials constantly offer opportunities for savings in the coming years.

Of great assistance this year is the national review of the management of metals, focused as well on the management of other raw materials. In its thematic concept, the review comprises:

- minimization of wastes and losses occurring at the production and processing of metallic materials by the application of progressive technologies,
- gain of metallic substance from scraps and non-traditional secondary raw materials and a better utilization of wastes,
- maximal possible utilization of the qualities of metallic materials (technical parameters of metallic materials) for weight reduction of machines and equipment and utility value increase of products,
- possibilities of using non-metallic materials (slabs, concrete, ceramic materials) as a substitute for metallic materials there where it is economically more advantageous,
- optimal technical and economical life span of machinery and equipment and extension of their technical and economical utilization by improved repairs, maintenance and renovation of parts of junctions.

A successful fulfillment of the national goal-oriented program 03--streamlining of the management of metals--yields every year savings of several billion crowns. However, it is also of great significance in formulating of interests and thinking of all those who are directly or indirectly participating in the production processes. The program leads to seeking and carrying out more advantageous production structures, economically projected constructions, utilization of more perfect technologies and it has a great importance for the solution of ecological questions as well.

12707

CSO: 2400/491

CZECHOSLOVAKIA

BRIEFS

COLOTKA VISITS ROBOT ASSOCIATION--Peter Colotka, member of the CPCZ Central Committee Presidium and Slovak premier, today visited the East Slovak Region. He visited the Robot International R&D Institute in Presov, which was set up this year by the USSR and Czechoslovakia to develop and apply the latest technology in robotized systems. Comrade Peter Colotka visited also some other industrial and agricultural enterprises of the East Slovak Region. /Text/  
/Prague Domestic Service in Czech and Slovak 1600 GMT 23 Jul 85/

JANIK IN CENTRAL SLOVAKIA--Jan Janik, Presidium member and secretary of the CPSL Central Committee, visited Velky Krtis district today, in the beginning of his 2-day visit to the Central Slovak Region. The representatives of the district briefed him on the progress of field work in this part of Central Slovakia. After viewing the grain silo of the agricultural procurement and supply enterprise at Lesenice, Comrade Janik viewed the progress of the harvest at the united agricultural cooperation at Balog Nad Iplom, Kamenne Kosivy and Ninince. /Text/ /Bratislava Domestic Service in Slovak 1630 GMT 23 Jul 85/

COLOTKA VISITS AGRICULTURAL ENTERPRISES--Peter Colotka, member of the CPCZ Central Committee Presidium, Slovak premier, started today a 2-day visit to agricultural enterprises in Slovakia. He visited Radosinka united agricultural cooperative at Velke Ripnany and several other agricultural enterprises in the Central Slovak region. He also visited Novy Svet united agricultural cooperative at Rimavska Sec, Patka state farm, and Cervena Hvezda united agricultural cooperative at Lenartovce. In his conversations with the farmers, Comrade Peter Colotka stressed their effort in the gradual implementation of the strategic line of achieving self-sufficiency in the production of grain. However, he stressed the need to complete the harvest in time and well. /Text/  
/Prague Domestic Service in Czech and Slovak 1800 GMT 22 Jul 85/

CSO: 2400/502



GERMAN DEMOCRATIC REPUBLIC

SED, COUNCIL OF MINISTERS APPROVE NEW AGRICULTURAL POLICY

East Berlin DEUTSCHE BAUERNZEITUNG in German No 25, 21 Jun 85 pp 12-14

[Text] The "draft of a model cooperation agreement for cooperation between LPG's and VEG's [state farms]" was published in DEUTSCHE BAUERNZEITUNG No 7/1985. The material was made available for public discussion and was of great importance for the preparation of the Kreis farmers' conferences as well as at these meetings. The draft was also extensively debated at annual general meetings and the sessions of the Council of Agriculture and Food Processing.

Many proposals, suggestions and opinions conveyed to the Ministry for Agriculture, Forestry and Foodstuffs emphasized that the draft reflected the various experiences and thoughts of cooperative farmers and workers with regard to the cooperation relations involved in the uniform agricultural reproduction process. That is why there was wide agreement on the published material.

These letters show a solid determination to further strengthen cooperation relations between LPG's and VEG's and, in preparation of the Eleventh SED Congress, to provide for the greatest possible growth of performance and efficiency. Consequently, creative and constructive discussion has been directed to breathing life into the challenging targets for the cooperation involved in any LPG-VEG cooperative venture as formulated in the draft model cooperation agreement.

The more than 400 opinions submitted to the ministry underline the fact that the draft of the model cooperation agreement is helpful in the tried and tested manner for implementing Lenin's plan for cooperatives.

The ministry heard from many LPG executive committees, VEG directors as well as cooperation councils, social organizations and scientific institutions. They all agreed that, above all, such principles as

- The avoidance of any schematism and a gradual approach,
- Consideration for local conditions with regard to the assignment of managerial functions to the cooperation councils,
- The organization of joint relations on the basis of equality and mutual benefit



are fully taken into account. In addition several proposals and suggestions served to effectively complement or more precisely define the document submitted for discussion.

Edwin Kollhoff, chairman of the LPG for Crop Production Wulfersdorf, Wittstock Kreis, for example, proposed to stress even more emphatically the fact that LPG's and VEG's are and will remain the basic units of farm production, that they independently and contractually agree their reciprocal delivery relations as well as those with other partners, while maintaining independent relations with the state budget and the Bank for Agriculture and Foodstuffs.

Hartie Platz, director of the Loebau VEG for Livestock Production, suggested including in the model cooperation agreement a clause that the specific national tasks assigned the VEG's must be realized without fail in the cooperation also. Cooperative farmers and workers called for more precise definitions of the development of cooperation relations on the basis of the LPG law.

The Ministry for Agriculture, Forestry and Foodstuffs carefully studied the proposals and suggestions, incorporating them (where suitable) in the "model cooperation agreement for cooperation between LPG's and VEG's" printed below.

The SED Central Committee secretariat extensively discussed and confirmed the model cooperation agreement.

On 13 June 1985, the Council of Ministers adopted the "model cooperation agreement for cooperation between LPG's and VEG's" as an official recommendation. It has thus become the framework for the perfection and preparation of cooperation agreements between LPG's and VEG's for crop and livestock production.

The ministry extends its thanks to all those who have contributed, by their constructive proposals, suggestions and opinions, and by this model cooperation agreement, to provide the cooperative farmers and workers with the equipment which helps them, by deepening long-range cooperation, to advance the development of the output and efficiency of crop and livestock production.

#### Text of Model Cooperation Agreement

In conformity with the SED Program, the deepening of cooperation relations is an essential feature of SED farm policy. Cooperation constantly reveals new opportunities for producing more, better and cheaper and thereby steadily improving the standard of supplies for the public and to actively advance social development in rural areas.

The CC report to the Tenth SED Congress commented: "The evolution of cooperation is meant to serve the perfection of cooperation between LPG's and VEG's as well as with their partners, for their mutual benefit. All tried and tested methods of cooperation should continue to be pursued... This applies mainly to the cooperation councils for crop and livestock production, who need to guarantee efficient cooperation in the standardized reproduction process."

The deepening of cooperation relations leads to the further perfection of socialist production conditions in rural areas and provides favorable conditions for the development of the productive forces. Cooperation is therefore a suitable approach in order to, in accordance with the historically matured situation of farming in the GDR and the status of the division of labor and specialization, provide for comprehensive intensification by the speeded-up application of science and technology and, thereby, develop new potentials of long-term production and efficiency development. It is thus of fundamental importance for the further successful implementation of SED economic policy in agriculture.

As this model cooperation agreement is in the nature of a recommendation, it is to be applied for the respective LPG-VEG cooperations, taking into account local factors.

The concrete state of development in each case will decide the powers the LPG's and VEG's assign their cooperation council. This tenet conforms to the tried and tested principles of the diversity of methods and of gradual advance. At the same time, we always need to remember that the ongoing deepening of cooperation relations represents a profoundly ideological task and requires first of all the development of comradely relations between cooperative farmers and workers and, in particular, the management cadres. The deepening of cooperation must therefore be coupled with the further development of socialist democracy.

#### I. Aims of Cooperative Collaboration

1. Cooperation is a basic prerequisite for the further successful implementation of the SED's economic policy and the continuing political, economic and social development of every LPG and VEG as well as the utilization of all potentials of cooperative property. It safeguards long-term collaboration between cooperative property and national property, offering better developmental opportunities for both socialist types of ownership in agriculture.
2. With the aim of jointly organizing a standardized reproduction process of crop and livestock production, based on the division of labor in the cooperation between LPG's and VEG's, at the same time as achieving the greatest possible output and efficiency, the

LPG's for crop production	...
LPG's for livestock production	...
LPG's for livestock production	...
VEG's	...
ZGE/ZBE's [intercooperative/interplant facilities]	...

(hereafter designated cooperation partners), develop their relations on the basis of the LPG law, especially Section 2, "LPG Cooperation Relations," and, by this cooperation agreement, assign management functions to the cooperation council.

If GPG's (horticultural producer cooperatives) directly collaborate with LPG's and VEG's for crop and livestock production in one standardized reproduction process, the general meetings of the GPG may decide to take part in the cooperation between the LPG and VEG and to assign the cooperation council management functions.

3. The cooperation partners use every possible opportunity to produce more, better and more cheaply in LPG-VEG cooperation as well as to promote social development even more actively in the rural regions. They make sure that, in LPG-VEG cooperation generally and at each cooperation partner in particular, own product, net product, production consumption, prime cost reduction and profit are increasingly used as performance indices of rational management and reciprocal social aid is more and more emphasized.

LPG's and VEG's are and continue to be the basic units of farm production and organize their relations in conformity with the principles of equality and mutual benefit while maintaining their legal independence and own economic responsibility. Important criteria are, especially, earning their own economic results on the basis of the enterprise plan, their own value of the unit of labor, concluding business contracts and the obligation to pay their dues to the budget of the kreis council. The cooperation partners organize their delivery and performance relations in the cooperation on the basis of business contracts, too.

## II. The Rights and Duties of Cooperation Partners for Deepening Their Cooperation Relations

1. For the efficient organization of the standardized reproduction process of crop and livestock production in the LPG-VEG cooperation, the cooperation partners assign to the cooperation council--on the basis of Article 12, LPG Law--rights and duties for the responsible implementation of joint measures with regard to management, planning and business accounting.
2. In conformity with the level of development achieved by them, the general meetings of the LPG's, directors of the VEG's (following consultation of the superordinated management organ and discussion in the plenary meeting of union organizers) and the authorized agent meetings of the ZGE/ZBE (following discussion in the plenary meeting of union organizers) assign to the cooperation council the following tasks and powers in particular for the collaboration of the cooperation partners:
  - Coordinating forces, resources, funds and labor capacity for exploiting the available potential for the greatest possible rise in performance;
  - Fixing basic proportions and performance goals consonant with national demands, especially for the growth of performance by crop and livestock production, the development of the cultivation

situation and the structure of livestock holdings, the delivery of fodder and organic fertilizer and for overcoming unjustified differences in standards of production and efficiency, with the aim of securing more balanced proportions between the production units and utilizing combination effects;

- Organizing common measures of scientific-technical progress to ensure rapidly rising yields on each square meter land and greater yield per animal by using all opportunities arising from the extensive application of top-yield concepts for parcels of land and barns.
- Coordinating investments by the cooperation partners and planning the implementation of joint investments;
- Planning economic relations, in particular agreed prices, and establishing and using joint funds and socialist managerial provisions regarding collaboration between the cooperation partners;
- The LPG's and VEG's for crop and livestock production coordinated handling of the perfection of socialist management, in particular organizing management and labor in the LPG's and VEG's by using the benefits of the regional principle and applying the performance principle and justified standards and recommended values for the development of output and efficiency'
- Conducting and organizing the joint socialist competition, the performance comparison and exchanges of experience on the basis of exact performance appraisal, coupled with the analysis of both satisfactory and unsatisfactory results and the realization of the conclusions arising therefrom;
- Coordinating and organizing measures regarding training and further education, the development and utilization of the social labor capacity as well as cadre work;
- Common measures for the encouragement and advancement of women and young people, for the implementation of the youth law and, above all, the development of FDJ economic initiatives'
- Coordinating joint measures for using all local production and efficiency reserves, improving working and living conditions and developing intellectual-cultural life in the village, in cooperation with local councils, the local VdgB [Peasants Mutual Aid Association] organizations and all other social forces.

While carrying out these measures, care must be taken to ensure that the specific economic tasks assigned the VEG are accomplished as planned.



The cooperation council helps the executive boards of the LPG's, the directors of the VEG's and the managers of the cooperative facilities to observe their responsibilities at the highest possible standard. The cooperation council encourages the observance of order and safety by the executive boards of the LPG's and directors of the VEG's.

The cooperation partners obligate themselves to conscientiously carry out in their LPG and VEG the measures jointly agreed by the cooperation council and to actively collaborate in the efficient organization of the standardized reproduction process of crop and livestock production of the LPG-VEG cooperation. They are responsible for ensuring that the cooperation council is furnished with the enterprise information needed for its work.

3. In all their farming operations and while observing their individual responsibilities, the cooperation partners ensure that enterprise interests conform to the requirements of the standardized reproduction process of the LPG-VEG cooperation and, by comprehensive intensification, provide every possible opportunity for the rapid rise in yields and performances in crop and livestock production, coupled with the definite improvement of the cost/profit ratio.

The cooperation partners guarantee comradely collaboration down to sections and brigades and, together, observe their responsibilities for increasing the production of the end product while lowering specific expenditure.

### III. The Status, Tasks, Powers and Modus Operandi of the Cooperation Council

1. The cooperation council is the elected and democratic organ of the cooperation partners for the common management, planning, organization and settlement of LPG-VEG cooperation as a dynamically developing economic organism. It conscientiously carries out the tasks assigned it by the plenary meetings of the LPG's, directors of the VEG's and the authorized agents' meetings of the ZGE/ZBE's, for the benefit and profit of the standardized reproduction process of the cooperating LPG's and VEG's generally, each single cooperation partner and the national economy.

2. LPG members of the cooperation councils are elected for a term of 3 years by the plenary meetings of their LPG's, ZGE/ZBE members by their authorized agents' meetings following consultation of the enterprise labor union leadership organization. VEG members of the cooperation councils are appointed by the director, following consultation of the enterprise labor union leadership organization. If a cooperation council member leaves the council prematurely, replacement proceeds by by-election or a new appointment.

The LPG plenary meetings should elect the politically and technically most experienced chairman or director of the LPG or VEG with the most stable production bases to be chairman of the cooperation council for a

3-year term. The VEG director decides as necessary, following consultation of the enterprise labor union leadership organization, and the authorized agents' meeting does so for the ZGE/ZBE. If a VEG director is to be elected chairman of the cooperation council, the approval of the management organ above the VEG must be obtained.

The members of the cooperation council and the board of directors of the LPG or the director of the VEG are required to prepare and explain the decisions of the cooperation council in the LPG, VEG and ZGE/ZBE, as well as to guarantee their implementation in their own cooperatives and enterprises and to promote them among the other cooperation partners.

3. The following should be members of the cooperation council:

- The chairmen of the LPG's and directors of the VEG's,
- The managers of the cooperative facilities in the cooperation,
- Other cooperative farmers and workers, specially from material production. Women and juveniles must be adequately represented.

The cooperation council may employ an agricultural expert or secretary. His tasks must be listed in an executive plan.

4. The cooperation council operates on the basis of party and government resolutions, this cooperation agreement, the work regulations and the operations plan. Normally it meets once a month. The cooperation council adopts its decisions unanimously, following collective discussion. These decisions are carried out by the cooperation partners with diligence and discipline. Each cooperation partner has one vote.

5. Based on the state plan indices and the long-range development concept for the cooperation, the cooperation council drafts the "plan of cooperation of the LPG's and VEG's" for the respective plan year. This includes the main indices of performance and efficiency development. It represents the decisive management document for collaboration in the standardized reproduction process of crop and livestock production. On the basis of the state indices assigned it and with the help of the kreis council, the cooperation council drafts the assignments for the cooperation partners and hands them over so that the latter may draft their enterprise plans.

The cooperation partners defend their enterprise plans at the cooperation council. The conformity of enterprise plans with the "plan of cooperation of the LPG's and VEG's" must at all times be guaranteed. After discussion of the main indices in the LPG or labor union organizers' plenary meetings, the cooperation council defends the "plan of cooperation of the LPG's and VEG's" at the kreis council. The "plan of cooperation of the LPG's and VEG's" is confirmed as per the state regulations.

6. On the basis of the resolutions adopted by the LPG plenary meetings, the decisions of the VEG directors (following consultation of the



superordinated management organ and the BGL [enterprise labor union organization] and the resolutions adopted by the ZGE/ZBE authorized agents' plenary meetings (following consultation of the BGL), the cooperation council decides the establishment and use of common material and financial funds as per the requirements of the standardized reproduction process in the LPG-VEG cooperation.

The LPG-VEG cooperation may establish such funds as

- A common financial fund for investments,
- A common reserve fund,
- A common fund to stimulate performance.

The amounts of money paid into the common funds and their use are settled as per the concrete situation of the cooperation partners by way of the enterprise plans, annual balance sheets and the "plan of cooperation of the LPG's and VEG's."

All decisions must be based on the concrete requirements and objectives for the use of these funds.

These funds are used in such a way that the greatest possible profit may be realized by each partner and the cooperation as a whole by the acceleration of scientific-technical progress.

7. The cooperation council organizes economic relations between the cooperation partners with the aim of encouraging among all partners the interest in the greatest possible total performance of the LPG-VEG cooperation. The cooperation council drafts management rules for the planned collaboration of the cooperation partners, such as

- Delivery and performance terms for fodder and organic manure as per the given situation as well as agreed norms;
- Principles regarding mutual assistance with manpower, machines and other basic assets;
- Principles for the settlement of economic relations and indices to reflect the standardized reproduction process by way of the enterprise accounting system linked with the accounting statistics of the accounting centers and the combines of the foodstuffs industry.

The cooperation council must decide agreed prices. Measures envisioned by the LPG's with regard to the organization of remuneration systems, distribution of payments in kind and individual land use as well as for assistance for farmers' private holdings, the improvement of working and living conditions and the precise definitions of enterprise statutes are discussed and coordinated with the cooperation council.

8. The cooperation council supervises fulfillment of the "plan of cooperation of the LPG's and VEG's" as well as the decisions made by it. For the accounting of the "plan of cooperation of the LPG's and

VEG's," the cooperation council drafts an annual balance sheet of LPG and VEG cooperation. The cooperation council guarantees regular information for the cooperation partners with regard to the fulfillment of the "plan of of the LPG's and VEG's" and the decisions adopted.

9. The cooperation council reports on its operations to the plenary meetings of the LPG's and the plenary meetings of VEG labor union organizers, based on the annual balance sheet.

The cooperation council decides which of its members are to give the reports to the various cooperation partners. The report on the annual balance sheet must be confirmed by the plenary meetings of the LPG's. VEG directors confirm the report on the annual balance sheet following discussion by the plenary meeting of the labor union organizers.

10. By way of the work of committees and study groups, the cooperation council includes other cooperative farmers and workers in its operations. The council decides the committees or study groups to be set up and the tasks to be assigned them. The cooperation council appoints the members of committees and study groups after consultation with the respective LPG chairmen, VEG directors and ZGE/ZBE managers. It must make sure that women and youth are involved in all committees and study groups of the cooperation council.

Committees and study groups operate as organs of the cooperation council on the basis of operations plans. Committees are set up for the accomplishment of the following tasks, in particular:

-- The planning and long-term definition of the basic proportions for the development of crop and livestock production, economic relations and accounting;

-- Common measures for the conduct of the competition, performance comparison, material and moral stimulation as well as the coordination of the organization of output and operations;

-- The intensification of fodder management (fodder production and use);

-- The reproduction of soil fertility, coordination of land use and common measures with regard to crop protection and environmental control;

-- The coordination of the development of livestock holdings and their performance as well as protection against livestock epidemics;

-- Scientific-technical advances, the innovator system and MMM [fair of the masters of tomorrow] work, maintenance, rationalization as well as construction and land improvement;

-- The reproduction of the labor capacity as well as common measures of cadre development, training and further education;

-- The encouragement of individual production for the utilization of all reserves in the region;

-- Working and living conditions, social issues, cooperation with local authorities and social forces as well as assistance for common measures to expand primary processing stages in the villages.

Study groups are established to accomplish the following tasks:

-- Common measures to encourage and advance women as well as coordinate LPG and VEG plans for the advancement of women;

-- Common measures to encourage and advance youth as well as coordinate LPG and VEG plans for the advancement of juveniles.

As a rule, the committees and study groups are headed by LPG chairmen, VEG directors, ZGE/ZBE managers and other experienced management cadres from LPG's and VEG's. The committees and study groups submit their proposals for decisionmaking to the cooperation council and closely collaborate with the LPG committees, the labor union committees in the VEG's and the corresponding panels of the Council for Agriculture and Foodstuffs.

11. The plenary meetings of the LPG's and directors of the VEG's authorize the cooperation council to act as a collective management organ for cooperative facilities solely operated by the partners represented in the cooperation council. In this case, the cooperation council takes on the tasks and powers of the authorized agents' meeting and the executive board of the cooperative facility.

Furthermore, the cooperation council ensures close collaboration with all cooperative facilities of the LPG's and VEG's, specially the agrochemical center, the land improvement cooperative, the interenterprise construction organizations and others, so as to more efficiently utilize the forces and capacities of these enterprises and facilities.

12. The cooperation council annually organizes one or two economic conferences. These conferences focus on the discussion of measures for the comprehensive intensification of crop and livestock production. To be used for this purpose are long-range programs for land use, irrigation, fodder management and so on. Also involved are tasks and measures relating to the development of collaboration among the cooperation partners.

13. The cooperation council encourages close cooperation by the LPG's and VEG's with the local people's representations and their organs as well as with the social organizations in the region, specially regarding the improvement of working and living conditions, the development of culture and sports, the development and encouragement of small-scale private production, and so on. The council therefore assists the conclusion of local agreements between LPG's, VEG's and the local councils.

#### IV. The Powers and Tasks of the Chairman of the Cooperation Council

1. In collaboration with the chairmen of the LPG's, the directors of the VEG's and the managers of the ZGE/ZBE's, the chairman of the cooperation council organizes the planned and purposeful work of the cooperation council. On the basis of the operations plan and the decisions by the cooperation council, he assigns concrete tasks to the committees and study groups as well as the individual members of the cooperation council and supervises their accomplishment.
2. Following consultation of the chairmen of the LPG's, directors of the VEG's and managers of the ZGE/ZBE's, the chairman of the cooperation council is authorized to establish temporary panels or study groups for the accomplishment of key tasks; these latter act as operating organs of the cooperation council.
3. The chairman of the cooperation council guarantees the planned preparation and conduct of the meetings of the cooperation council. After consultation with the chairmen of the LPG's, directors of the VEG's and managers of the ZGE/ZBE's, he is entitled to involve management cadres and specialists of the cooperation partners in the preparation of decisionmaking as well as to coopt responsible members of other enterprises and representatives of state organs and social organizations to the meetings of the cooperation council. The chairman of the cooperation council informs the kreis council of the dates of meetings and the respective agenda.,
4. To accomplish the tasks assigned him by the cooperation council, in particular in regard to the management of plan implementation, the chairman of the cooperation council holds regular management meetings with the chairmen of the LPG's, the directors of the VEG's and the managers of the ZGE/ZBE's, as well as other managers if required. He organizes the implementation of the decisions enacted. In addition, the management meeting makes for fast joint reactions to changing situations and the settlement of problems at the various partners, specially in the interest of the efficiency of the total reproduction process of LPG-VEG cooperation.
5. LPG's and VEG's authorize the chairman of the cooperation to handle tasks of cooperation together with management cadres and administrators of his LPG or VEG or the other cooperation partners, given their approval. At the same time, they authorize the chairman of the cooperation with his LPG or VEG to represent the cooperation in legal affairs within the

framework of the tasks assigned the cooperation council.

V. Concluding Provisions

1. The cooperation partners set up a common review committee to supervise the implementation of the tasks and powers assigned the cooperation council as well as the observance of legal regulations.
2. The acceptance and amendment of the cooperation agreement proceeds in LPG's by resolution of the plenary meetings, in VEG's by confirmation by the directors, following consultation of the superordinated management organ and discussion in the plenary meeting of labor union organizers, in ZGE/ZBE's by resolution of the meetings of authorized agents.

LPG Crop Production .....	resolved upon on .....
LPG Livestock Production .....	resolved upon on .....
LPG Livestock Production .....	resolved upon on .....
VEG .....	confirmed on .....
ZGE/ZBE .....	resolved upon on .....

The cooperation agreement was confirmed by the kreis council and, upon involvement of VEG's, by their superordinated management.

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GERMAN DEMOCRATIC REPUBLIC

ENVIRONMENT MINISTER INTERVIEWED ON WATER MANAGEMENT MEASURES

East Berlin TRIBUENE in German 14 Jun 85 p 11, 12

[Interview with Dr Hans Reichelt, deputy chairman, Council of Ministers, minister for Environmental Protection and Water Management, by Herbert Bluhm, date and place not specified]

[Text] Reichelt: Water is the irreplaceable basis of life and of the social reproduction process. Water management is therefore intimately related to all sectors of society and all branches of the national economy. The Tenth SED Congress required all water managers to provide the public with a stable and high quality supply of drinking water, guarantee the availability of nonpotable water for the dynamic growth of industrial production and the intensification of farm output with the greatest possible national efficiency. Rational water use is the principal approach to the accomplishment of these tasks.

TRIBUENE: What are the dimensions involved in the matter of water availability and use?

Reichelt: The daily supply of drinking water requires us to make available some 4.7 million cubic meters from groundwater, reservoirs and rivers. These are processed in our waterworks by a frequently highly complex technological procedure in order to meet the set quality standards. Industry requires supplies of 12.4 million cubic meters of industrial water daily and agriculture, in the months May through September, an average of 16.4 million cubic meters for irrigation alone. This volume must be guaranteed absolutely.

It is important to remember that the natural supply of water is not renewable. The GDR is one of the most highly developed industrial states and boasts an intensive agriculture. Its water budget is accordingly stretched almost to the limit. In drought years our water supplies are already used to around 90 percent, and water consumption already amounts to 30 percent of the water available. This is one of the main reasons for the necessity of enforcing rational water use and protecting our waters better. The other arises from the demands of comprehensive intensification for the realization of our economic policy for the 1980's.

TRIBUENE: What is the situation with regard to drinking water?

Reichelt: As a consequence of the housing program adopted by the Eighth SED Congress, connections of households to the central drinking water network rose to 93.5 percent. The GDR now ranks among the leaders of industrial nations in this respect. Our annual requirements will grow by another 2.5 to 3 percent. This is the reflection of the modernization and reconstruction of housing units as well as the increasing number of households equipped with washers, water heaters and baths or showers.

TRIBUENE: Still, industry seems to be the most prominent water consumer and will probably remain so?

Reichelt: Industry indeed uses about two thirds of the total water consumed. However, 85 to 90 percent is recovered in the form of waste water and returned to water circulation, thus being once more available for use after the appropriate purification. Still, 520 million cubic meters are lost, in other words they are no longer available for multiple use in the circulation of water. Farming is a prominent water user, requiring 1.3 billion cubic meters mainly for irrigation.

TRIBUENE: Speaking of rational water use, where could the lever be used to the best effect?

Reichelt: In general, we may say that all sectors of our socialist society must remember the principle of rational water use and the avoidance of waste. Industry holds a particularly great responsibility in this respect. That applies to large, medium and even small factories. Specific water needs per production unit and also absolute water consumption must be lowered further--just like what is drawn from drinking water supplies--to enable us to more efficiently meet the water needs of new industrial capacities, the rising demand for drinking water and irrigation.

Great achievements with regard to rational water use are already being recorded in this 5-year plan period. In 1981-1984, specific water needs were reduced by 19 percent, absolute water requirements by 4.5 percent. Drinking water drawn for industrial purposes from the public network declined by 32 million cubic meters. To improve water protection, the discharge of sewage was reduced by 338 million cubic meters.

TRIBUENE: How is this being done?

Reichelt: The experiences of factories operating in an exemplary manner with regard to water use have taught us that rational water use is the principal approach to the extensive intensification of water management in all sectors of the national economy. This is being done in various ways. To be mentioned here in particular are the following: Including rational water use and water protection in the management and planning work of all managers, beginning with general and factory directors; speeding up scientific-technical progress, especially developing technologies and processes which conserve water and produce little sewage, as well as developing equipment for the recovery of materials from waste water; conducting process analyses and drafting

sophisticated measures for efficient factory water management. This involves, among others, observing water use standards, lowering water losses in the entire production process and in the network, accurately measuring and reporting water use and the volume of sewage, stimulating rational water use materially and ideologically, and protecting water.

TRIBUENE: For which economic areas are these measures particularly effective?

Reichelt: For very many. Rational water use has been proved by the experiences of thousands of production collectives in industry, farming and water management to significantly contribute to the realization of our economic policy for the 1980's, the lowering of the production consumption of energy, materials and water, improve basic asset management, reduce investments and operating costs, raise labor productivity and, in general, improve the cost/profit ratio. Better working and living conditions are also recorded in many cases.

TRIBUENE: Could you give us an example?

Reichelt: In the past 5 years, new standards for fresh water use were developed and introduced as well as closed water circulation established by the Meissen Motor Vehicle Accessory VEB. The VEB succeeded in reducing by 24 percent the drinking water withdrawn from the public network and lowering specific water needs from 3.4 cubic meters to 2.3 cubic meters per M1,000 goods production. In the past 3 years, absolute water consumption was reduced by 30 percent. Oil is now recovered as a valuable material rather than, as used to be the case, polluting the waters. This process resulted in an annual profit of M33,000.

TRIBUENE: What is the general financial effect?

Reichelt: In the first 4 years of this 5-year plan period alone, investments in the amount of M7 billion were either saved or postponed, energy use reduced by 260 million KWH [kilowatt hours] and operating costs by about M80 million. We must also consider that, for the sake of perfecting economic accounting, all economic stimuli are adjusted so as to achieve a large operating profit as the result of rational water use, less sewage volume and reduced component substances. That applies to the water use payments for withdrawal from waters for production, the prices of water supplied from the public network for industrial purposes and, recently prices for sewage disposal in the drains or waters.

TRIBUENE: What has been the value of the initiatives of production collectives in the achievement of these results?

Reichelt: Such successes cannot be achieved without the great creative initiatives of the working people. The inclusion of tasks related to rational water use and better protection of the waters in the socialist competition organized by the labor unions has turned out to be decisive. That is why all those who include in their competition programs for the comprehensive intensification of production some measures for lowering specific and absolute

water demand, are well advised to eliminate water losses and water wastes, reduce the use of drinking water drawn from the public network for production purposes, to recover valuable substances from sewage and to lower water pollution. This encourages the large-scale initiatives of workers, engineers, foremen, scientists and planners for the rational use and protection of natural resources and results in increasing output growth coupled with rising efficiency. It offers tremendous scope for the work of innovators, rationalizers and the young people involved in the movement of the Fair of the Masters of Tomorrow.

TRIBUNE: In this context, what is the role of the honorary title "enterprise of exemplary water management"?

Reichelt: We have found it very useful to combine the socialist competition with the movement for earning this distinction. The latter may now be also awarded to combines, cities, municipalities and kreises. Local state organs may combine this movement with the initiatives of enterprise collectives in competition with those of many social organizations in the region and with the national mass initiatives of many citizens within the scope of National Front committees.

TRIBUNE: What is to be the line of advance in the coming years?

Reichelt: The mid-1984 directive by the SED CC Politburo and the Council of Ministers regarding rational water use in the 1986-1990 Five-Year Plan period enacted an important economic decision at a time when ministries and combines were about to make the necessary preparations. These tasks can therefore be included and prepared in good time and proportionally in the refinement and intensification conceptions, the plans science and technology, the investment conceptions, rationalization measures and the major overhauls provided for. In conformity with and based on the water law, the water management directorates issued to the combines state targets for reducing specific water requirements, water consumption and for recovering valuable substances through 1990.

TRIBUNE: Would you quote some of the main points, please?

Reichelt: Let us first consider the main objectives. Building on the results so far achieved, all managers of management organs and all local state organs are generally obligated to safeguard the national reproduction process with the same use of water. At the same time priority must always and fully be accorded the growing public demand for drinking water at a high standard of quality and in sufficient volume. The availability of water for irrigation, too, must continue to increase.

To achieve this, we must lower specific water needs and water consumption in industry and the withdrawal of drinking water from the public network as well as substantially reduce water pollution by sewage--primarily by greater materials recovery--and water loss wherever liable to be affected by technical means.



TRIBUENE: How may water protection be improved?

Reichelt: This is best done by lowering the volume of sewage in each enterprise, intensifying production processes in accordance with the latest scientific-technical findings, recovering useful substances from sewage, reducing sewage emission, intensifying existing sewage treatment plants by raising their purification performance and the planned expansion of existing or the construction of new plants. The recovery of valuable substances from sewage must increasingly represent the chief method of sewage purification because this means accomplishing several nationally important tasks simultaneously. All efforts must be directed toward safeguarding the self-purification of our waters.

TRIBUENE: Everybody is to be challenged and involved. What are the "water people" themselves doing?

Reichelt: The Water Supply VEB's, sewage treatment plants and water management directorates must themselves work in an exemplary manner to implement rational water use and water protection, using comprehensive intensification by the application of new results from science and technology to the management of storage reservoirs, basins and other waters, the rationalization of waterworks, aqueducts, sewage treatment plants, pipeline networks and drains. At the same time they must so develop cooperation and contractual relations with enterprises and facilities of the other branches of the national economy as to allow each enterprise and combine to achieve the objectives of rational water use and water protection with the greatest national efficiency and without cuts. The State Water Inspectorate is responsible for helping the enterprises apply scientific-technical advances and for supervising the resolute observance of the provisions of the water law.

TRIBUENE: Is it possible for you to conclude by a forecast?

Reichelt: More and more we must judge the management of industry and agriculture by the following criteria also: What is the output quantity produced by a certain volume of water? Are all valuable substances recovered from sewage? We are thus increasingly aware of the need to raise the contribution provided to the realization of the main task by rational water use and better water protection.

The labor unions are eminently suitable to help by assisting the production collectives to appreciate that rational water use represents a significant social and national task--as stated in the above mentioned directive. In this connection we must always remember that all sectors of the national economy must be involved in resolutely promoting the long-range guarantee of water availability for the national reproduction process, the satisfaction of water needs in all hydrological and meteorological situations, the conservation of energy, and the steady improvement of the national cost/profit ratio.

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GERMAN DEMOCRATIC REPUBLIC

ENVIRONMENT MINISTER ADDRESSES HELSINKI ENVIRONMENT CONFERENCE

Schwerin SCHWERINER VOLKSZEITUNG in German 9 Jul 85 p e

[Report of address by Dr Hans Reichelt, deputy chairman, Council of Ministers, and minister for Environmental Control and Water Management]

[Text] The Government of the German Democratic Republic welcomes the initiative by the Government of Finland with regard to this conference on the occasion of the signature of the convention on the reduction of sulfur emission at this historic place. Our delegation expresses its gratitude for the friendly reception offered us in your hospitable country.

Ten years ago, by signing the final act of the Conference on Security and Cooperation in Europe, the heads of state and government in Europe and North America proclaimed here in the Finlandia Hall their firm resolve to collaborate on the basis of peaceful coexistence--in appreciation of the political and social changes in Europe as a result of World War II, in the interest of the preservation and security of peace.

Since this conference, much has been done in Europe by way of joint efforts of states with differing social systems to protect nature and its wealth. The ECE all-European Environmental Congress of November 1979 in Geneva adopted the convention on far reaching border crossing air pollution and issued a declaration on low waste and no waste technologies and the recovery and recycling of waste products. This was one manifestation. Another one was the successful cooperation of the seven Baltic states for the protection of the marine environment of the Baltic region. A further significant step is being taken by the signature of the document now before us on the reduction of sulfur emissions.

The Most Important Need is for the Preservation of Peace

All of the above is evidence of the great vitality and usefulness of the ideas reflected in the final act of Helsinki. And more yet: It confirms the necessity of the equal cooperation by states with different social systems, based on the principles of peaceful coexistence, for the settlement of vital and global tasks in the interest of all peoples.

In the present aggravated international situation, the GDR Government more than ever considers the most important factor of any environmental policy the maintenance of peace as the highest good of mankind so as to preserve and protect life and the natural environment, and it will employ all its forces to prevent a nuclear inferno. We are quite certain that the steadily increasing accumulation of nuclear potentials and the intended militarization of space represent the greatest threat to mankind, human life, human health and nature. The perils represented by nuclear, biological or chemical warfare to forests, waters, oceans, the land, flora, fauna and the atmosphere are now immeasurably greater than anything hitherto known. Even the current overarmament increasingly damages nature and prevents the implementation of long overdue programs for environmental control. It behooves us to remember this now, just before the 10th anniversary of the signing of the Helsinki final act.

That is why the GDR considers indispensable practical steps for the avoidance of a new round in the arms race, for the limitation and reduction of armaments. It backs the many and realistic proposals by Mikhail Gorbachev, general secretary of the CPSU CC, and all the repeated peace initiatives by the states of the socialist community. They encourage all those who are eager to preserve and safeguard peace, banish the threat of nuclear war, end the nuclear arms race on earth and prevent its advance in space. It is our opinion that a coalition of reason and realism must abolish the arms race and confrontation now, that detente in the spirit of the final act of Helsinki must once again become the basis of the peaceful side-by-side living of the peoples on our Continent.

#### **A Well Considered Economy Results in the Increasingly Better Protection of Nature**

By signing the document to hand, the GDR reaffirms its firm intention to make a significant contribution to the 30 percent reduction in sulfur dioxide emissions by 1993. It links this intent with the wish by this means to help improve environmental conditions in Europe, in the interests of all the peoples and of nature.

For the implementation of this challenging task, the GDR Government utilizes the many opportunities offered by our socialist society and its system of management. Central to this is the comprehensive intensification of the national economy as per the economic policy for the 1980's, adopted by the Tenth SED Congress. It is our aim to achieve dynamic economic growth coupled with steadily declining production consumption.

Dropping production consumption of raw materials and other materials of all kinds by way of scientific-technical advances (in particular the key technologies), greater refinement of raw materials, lower energy and water consumption, increased recovery and recycling of secondary raw materials, the recovery of valuable substances from waste products, sewage, waste gases and dumps as well as reduced pollution--all this makes for progressive economic growth as well as better environmental conditions. At the same time all of this is entirely in the spirit of environmental control because natural resources are intelligently used, and at the same time air, water, forest and soil pollution is reduced. We do not "sacrifice" ecology to economics.

Instead, well considered economics turn into the decisive and indispensable prerequisite for the steadily improving protection of nature and its resources.

By this approach, we managed in the past 4 years to record satisfactory achievements. While our commodity production rose by average 5 percent, production consumption was lowered by 6.2 percent. The utilization of industrial wastes increased from 20 percent to 42 percent in the past 10 years.

The realization of an entire range of measures for keeping the air clean was largely the result of new scientific-technical findings. This served on the one hand to improve the working and living conditions of the working people and, on the other, to speed up economic growth and the efficiency of the national economy. To be mentioned in particular are our successes in reducing energy consumption and avoidable losses as well as in further expanding the use of technical-economically useful secondary energy. This includes the greater exploitation of thermoelectric coupling and the expanded use of nuclear energy as well as the increasing material utilization of lignite, coupled with the greater desulfurization of coal refinement, the use of fluidized bed firing and, last not least, the greater availability of distant heat (which has tripled in recent years).

Also of great importance are the measures decided upon by the GDR Government with regard to the 30 percent reduction of sulfur dioxide emissions by means of flue gas desulfurization in major power plants, thermal plants and thermoelectric plants operating on the basis of lignite. Currently combines and enterprises are engaged in making all the preparations required. Research and development efforts are being intensified, including those aiming to perfect the dry additive process. We devote the greatest attention to processes which are distinguished by outstanding purification performance as well as the greatest possible efficiency while, simultaneously, yielding new raw materials such as sulfur, sulfuric acid, gypsum and fertilizers, rather than more waste products. In this endeavor we are also applying the results of scientific-technical advances in other countries.

#### The GDR Is Doing Everything Needed to Carry out its Obligations

We share the opinion of scientists and experts that the novel damage to forests showing up mainly in Western Europe differs in its course and effect from the sulfur dioxide smoke damage studied here for 135 years. The main component of this new pollutant is considered to be nitrogen monoxide in combination with ozone development.

We are therefore carefully watching all measures taken in these countries and directed to reducing nitrogen monoxide emissions. Though the GDR is in a relatively better situation with regard to the volume of nitrogen monoxides, because the priority use of lignite with its relatively lower calorific intensity results in far less nitrogen monoxide emission from stationary sources, the government has done a great deal since the early 1980's to substantially lower the emission of nitrogen monoxides.

Maximum motor vehicle speeds were gradually decreased to 100 km per hour on motorways and 80 km per hour on highways. Nitrogen monoxide emissions duly declined by 13-15 percent. Freight transports have to a large extent been shifted from roads to rail and waterways. At the same time we considerably speeded up the electrification of rail routes. As a result vehicle emission of nitrogen monoxides dropped by another 20-25 percent. Lastly, the checks introduced in 1983 on carburetor adjustment and emission inspection for all vehicles caused nitrogen monoxide emission to be lowered by another 4-5 percent. The continuing development of the four-cycle engine is also part of these efforts.

The states signing the convention on lowering sulfur emission are certainly confronted with many and varied tasks. Their accomplishment in each country will be the more successful, the more these efforts are combined by trusting bilateral and multilateral scientific-technical cooperation.

Within the ECE framework, the GDR too will do everything necessary to discharge its obligations, by developing fruitful cooperation with regard to the protection of the natural environment and the rational use of natural resources.

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HUNGARY

DEDICATION TO REFORM LESS THAN IN 1968

Budapest MOZGO VILAG in Hungarian Jun 85 pp 5-14

[Interview with Robert Hoch, deputy director of the Economic Sciences Institute of the Hungarian Academy of Sciences, by Laszlo Hovanyecz: "Who Is Backing Off From 1968?"]

[Text] [Question] As I understand it you were one of the economists who assisted at the birth of the 1968 reform. A question properly follows from this: Do you consider yourself a reform economist? And if so, in what sense?

[Answer] I consider the question rather odd, because if you can't prove that I became a renegade later then you can't catch me on that, so I would say that since 1965, when we began the work connected with the reform, I have always tried to serve the reform. And I can document that I did so even in the ebbing or defensive period of the reform.

[Question] In your opinion, what period did this ebbing cover?

[Answer] From 1972 to the beginning of the 1980's.

[Question] What pre-reform works did you put out in this period of more than 8 years?

[Answer] Since I do not want to show false modesty let me boast that when rather few dared to say a word, even in the hardest years I had publications for the reform. For example, I took a stand against the recentralization in FIGYELO, which was not received with very great enthusiasm. I wrote an article about the reform in GAZDASAG and I expressed my views in other forums as well. Or let us take 1980, when the necessity of the reform began to be recognized again and slogans for a continuation of the reform appeared. There were a number of measures, even changes in the system, in this year which I called Trojan Horses, because it was my conviction, and it is so today, that the reform slogans were only pasted onto these changes, while in reality they tended in the opposite direction. For example, look at the competitive [kompetetiv] price system, still alive today. I wrote an article about this at the time, an article not received with much pleasure but recognized since, in which I believe I proved in a way which has stood the test of time that, among other things, this change was really opposed to the 1968 reform idea.



[Question] Let us stick with this ebbing period of the reform. It is surprising that you consider it so long, from 1972 to the beginning of the 1980's. The general thinking considers 1972 and 1978 to be the boundaries.

[Answer] The recognition that we must take the path of reform was incorporated in a 1978 party resolution, but all that issued from this was the Trojan Horses I mentioned. Of course, even this was a great result. It appears that we had to go through such a phase, when the need for change still appeared only in slogans.

[Question] The reform economics entered the lists for the depoliticization of the economy. But if we can speak already about reform economics and reform economists, can we say that the reform economics is free of politics?

[Answer] Not at all. How could it be free of politics? In this connection I revert to the question of the sense in which I am a reform economist. Actually the process of becoming a reform economist was, not only for me but for very many, a recognition that essential changes had to be made in the production relationships--and, in a broader sense, in the social relationships--within our socialist system. I might brag that I was a reform economist in my infancy, and I could produce documents, what do I know, I was fighting for the reform in 1956-1957. But all that would not be true. Because there were many of us who at that time already approved of mechanism changes, but actually we saw nothing more in the mechanism than a mere intermediary device between economic policy and the economy. I think that the reform economists were those, and are today those, who recognized that we were talking about changing relationships here, even if these relationships could mean, concretely, a transmission between economic policy and the economy. And here I return to the question connected with politicization. If I admit that the reform is a transmission between economic policy and the economy, then I have already admitted that no sort of depoliticization is involved. Especially not if I say that we are talking about forming social relationships, and about forming the production relationships therein. This itself is embodied politics. I think that consciously or unconsciously every reform economist is talking politics. It could not be otherwise. Perhaps he is most political who denies it. But one need not take this--the denial--seriously.

[Question] Do you think that we have a reform movement?

[Answer] Yes, we do. And as I see it we have, fortunately, a reform movement on the upswing.

[Question] What does this mean?

[Answer] It means that we have gotten out of the defensive phase. Look at the April 1984 position of the Central Committee of the party. This shows that we are moving forward. How fast and with what intensity is another question. But this resolution points forward and wants to carry the reform forward, not hold it back or shove it back, not forbid it, but just the opposite.

[Question] Mentioning the Central Committee resolution justifies the question as to who, in your opinion, embodies the reform movement, what agents does the reform movement have?

[Answer] It is very difficult to answer that, because we are not talking about a homogeneous movement, and this must be emphasized first of all. It was not so from the beginning, and it is less so today than ever. The reform economists are reform economists because, perhaps, they agree--I am afraid even to say this--in certain basic principles, but with terrifically great ideological and political conceptual differences. In my Academy lecture last year, which has appeared in several journals, I tried to emphasize, among other things, that due to the given political situation--and the opposition to the reform--the reform economists swept a number of fundamental differences of view under the rug from the beginning and by and large this is still the situation today. It is worth while to study the debates. These are frequently pseudo-debates--as one author very wittily observed. That is, they refer to those who are not reform economists, because actually one cannot refer to those who are opponents or even enemies of the reform. Of course it is another question that there are very different ideas about the reform, and for this reason we cannot speak about some sort of uniform reform conception.

As is well known, the basic difference involves how great and what sort of role the state has, and how great and what sort of role the market has. But the spectrum here is extraordinarily broad. This, perhaps, is one aspect. But there is another. This manifests itself in the fact that many people today do not consider me a reform economist.

A few years ago I could hear, primarily from young people, that we, the reform generation of the 1960's, consider the 1968 reform the great work of our lives, stick to it stubbornly and while it may have been good then it is so no longer, and things should not move forward on the basis of it. I am convinced that this position is not correct. Of course, today we must go forward differently than was possible in 1968, that is quite clear. As a Greek sage said, one cannot step into the same river twice.

[Question] And our river, in this case, is the world economic situation.

[Answer] Yes. But this does not change the fact that it was the correct basic principle of the 1968 reform, still valid today, that we must strive for the optimal combination of planning and the market. The idea, or rather the dormant idea, which says that 1968 is not valid today actually questions this.

[Question] What does this idea consider valid instead?

[Answer] It says that the role of the state must be limited, not to nothing--there is no one who says that the state should not have a role--but it should be limited to a minimum. So the key word is minimum, and not optimum. This is the essential difference. It is so in the case of every concrete idea or decision. Let us give an example. Should the state, state planning or politics, have some sort of concrete developmental conception? That is, should the plan say that we should prefer, let us say, microelectronics and should mobilize state assets for it? Because the problem is really a big one.

It is my opinion that it should. There is a need for a few well defined preferences which will carry the economy forward. Obviously one could say that this is not needed. As I see it the real problem is not whether there should or should not be. We should not prefer too many things, because then we give preference to nothing. Rather, the question is how. Even today, we still have not given an answer to this.

What am I thinking of? If we use the old method and give, let us say, a billion forints to a few selected factories, which they do not have to account for, and say that you will develop microelectronics, then it is certain that nothing will come of it. But how then should the state select the appropriate enterprises, with what methods or mechanisms, under what conditions can they provide them the material assets in order to bring the result which planning put forward as a goal, in this case that microelectronics should develop honestly in Hungary, not unaccountably but with responsibility, as a function of their operation and the quality of their production.

[Question] Let us return to what you mentioned above. You said that in the interest of the further development of the reform a number of questions were swept under the rug. It would be good to learn something about a few of these questions which were swept under the rug in the name of compromise.

[Answer] Let us take what now may be the best known example, the institutional system of the economy. The reformers knew in the 1960's, how could they not know, that such a portentous reform must have institutional consequences. But they could not come forward with this, because then the reform would never have been accepted. The idea was that a transitional state of affairs would come first, and then one could go forward, then in the area of the institutional system as well. The extent to which the caution was justified is shown by the fact that these questions did come forward later, toward the end of the 1970's, but in many cases again only among themselves. Because to say that a number of different industrial ministries are combined into one ministry--that is not a continuation of the reform. My God, ministries were combined and broken up even in the 1950's. It is another question that the present combination was carried out by citing the reform.

[Question] Is this one of the things you include among the Trojan Horses?

[Answer] I would prefer to call it a substitute action, making some sort of formal, organizational change instead of the essential changes. Because in my opinion this moves us neither forward nor back.

[Question] We were talking about questions swept under the rug.

[Answer] The concept of profit, or its meaning and role, is such a thing, which really and truly has not been cleared up even yet. This is important because we have made it a central concept of the new management system, and so consider it today. But what is this profit? Can we call a category profit--because we do call it that--which consists on the one hand of enterprise accumulation, which, if you please, is true profit, but also contains a part of the wages, which we call profit sharing? The problem here is that economically wages and profit shares, that is gross worker income, make up one

category while enterprise accumulation is an entirely different category. We consider shares and accumulation one category--profit--not only for political reasons but also, I am convinced, because of theoretical confusion. But even this is not enough. We treated profit, understandably, as an annual category, and actually we so treat it today too. And here--unfortunately--I again have something to brag about. This occurred to me in some connection and I wrote an article about the problem of profit at the time where I tried to emphasize that in a modern economy profit must be a long-term category. So why am I bragging now? Well, I naturally thought that this article had appeared sometime after 1968, but it appeared in 1967. It is a poor consolation or feeling of success for a researcher that at first no one pays any attention and then his discovery becomes self-evident after 15-20 years. Not because he said it in 1967, but rather it turns out that it was the objective truth.

And then we have the problem of capital flow. This was on the table even before 1968. At that time we shocked many people by using this concept for this is a category of capitalism. This problem is still not solved. Solving capital flow is a vital problem for the further development of the reform in general, and now concretely it is a vital problem of the slow start of growth. Without this we will be preserving the existing structure.

[Question] Why are not the problems swept under the rug publicized, or why are they not debated again?

[Answer] The basic reason for sweeping them under the rug is that if the reform economists, now, were really to fall on one another in a debate of these questions then we could hardly speak of a reform movement tomorrow, because it would fall into pieces.

[Question] People would see how great the differences of opinion were?

[Answer] We are not talking about diversity here, because that is a good thing; we are talking about a dreadful divergence.

[Question] About scientific and ideological differences which turn into personal animosities?

[Answer] It is possible that the thing could degenerate into personalities, but that is not the essential thing.

[Question] It is rather the ideological side of the thing?

[Answer] That too, but even much simpler questions as well--things like conceptual indolence, a readiness to accept ready formulas, voicing fashionable slogans.

[Question] These are subjective factors. In contrast to this many say that debating the questions we are talking about is politically tabu.

[Answer] There are hardly any tabu questions here. Especially not in the sense that a person would get in real trouble because he represented some position. I think that is a very good practice, and a theoretically well



founded practice, that representing some view is not a criterion for regarding someone as a member of the opposition or not. It is an entirely different matter that a person may be looked askance at, from here or there, because of this or that view, that he is scowled at or suffers disadvantages because of it.

[Question] What do you mean by that, "from here or there"?

[Answer] In the first place there is an official opinion--perhaps more than one--but in addition there is a sort of public opinion, an unofficial power, the power of which may often be greater than that of the official power itself.

[Question] How strong is this unofficial power in the bailiwick of economics today?

[Answer] I cannot answer that precisely. But I feel that it is strong, and it has a strong effect especially on some of the economists, especially the young ones.

[Question] Is this unofficial power strong because of them?

[Answer] It is not strong because of them, but it has a strong effect on them.

[Question] So it is when they have no true orientation, when they are trying to determine their orientation?

[Answer] Yes, when the attitude of "I will not bow down to the power" is very strong, and when there is not yet a recognition that one may be bowing down to the unofficial power. I recently heard a statement from a young social scientist. He was saying that the old producer cooperative peasants were happy to be getting a pension. And then he noted that he was not evaluating this fact either pro or con. What was there to evaluate? Did he not dare admit that it is a very good thing that the old producer cooperative peasant gets a pension and is happy about it? This constant accommodation to the unofficial power can lead to such distortions. It might be better if I called it the fashionable power.

[Question] From the many articles sympathetic to the reform the reader might get the picture that there is a perfect, absolutely consistent economic policy reform plan and the only question is whether politics will let it be implemented. Is there really such an absolutely consistent reform plan? Could there be such a plan?

[Answer] My first answer is that such a thing does not exist. If I said nothing more but only that we have not cleared up what profit is, then already there is no consistent reform plan; if I say that the problems of capital flow have not yet been solved, either practically or theoretically, then it is not consistent either. Let us go further. From the beginning what has been problematic in the reform, both theoretically and practically, is that very frequently no account was taken of the social effects, the social reception,



[Answer] That's right. And let me here refer to an interesting thing. Among some young colleagues I have met with the idea that, my God, if we prepare for new increases now then this is a death blow to the reform. They are afraid that then the central intervention will begin again, then the stress, then the internal shortages, then external balance problems. I do not say that such a danger does not exist. I only emphasize that if an internal upswing does not begin, that is if internal use marks time in one place, then no sort of reform can go forward here. Let us take an apparently insignificant example. If an enterprise is to operate independently it must have money for investment. Without this the reform cannot go forward. Or another very important fact. Today, because of the financial restrictions, large numbers of enterprises are becoming insolvent, and so the creditor enterprises are standing in line at the banks, and so the cooperation system is falling into chaos. How can we produce a well functioning internal market, corresponding to the reform ideas, if the enterprises are standing in line, cannot get money, cannot pay? Normal market relationships among them cannot be imagined under such conditions. I believe that here also there is a very close connection between economic policy and the reform, but it is also true, and this must be emphasized, that we need an economic policy, a policy which encourages growth, which is truly in harmony with the reform. Because if it is not in harmony, then it really will kill the reform.

At an important conference in 1980 I and a well known colleague recommended that we must begin preparations for conversion to intensive growth. At the time we received the answer from an authoritative source that we could not even think of such a thing yet. But if we want to start a well founded growth today then the condition for it would be that we began to think about in 1980.

[Question] I do not know if I understand you correctly. In any case I think one might read from your words a position which is a fairly common one: Slow growth is bad, and swift growth is good. We have already talked about this, but let me ask anyway: Could not a swifter growth have its dangers?

[Answer] If we run after swifter growth then we will be right back where we started. The internal market would be upset, our debts would increase again, and then there might be the need for vigorous central intervention. We would slide back into the situation from which we have now begun to emerge with such difficulty. Naturally I consider swift growth good; but I mean a swift increase in the standard of living and not a swift increase in gross production. It is only this that is not realistic for the years ahead.

[Question] So in your eyes the new growth course is not identical with a swift growth course.

[Answer] Of course not, but neither is the inverse. Because one finds among planners a conception according to which the essence of the new growth course is slow growth. This conception is embodied in the idea that intensive growth cannot be swift, it can only be slow. Why does intensive growth have to be slow? We talk so much about Japan. That country is developing intensively and growing swiftly. And actually this intensive growth began here after 1968, only it came to a halt.

and without this the whole thing goes down the drain. If a large part of society does not accept it, because it is disadvantageous for them, because they do not see its advantages, then it cannot work. If we knock down social policy in the name of reform instead of developing it further then naturally the reform will cause extraordinarily great political tensions, and sooner or later it will bog down. So this reform is not consistent either economically or socially; but in the meantime it must be emphasized that the main lines were developed and laid down in 1968. I emphasize this lest someone draw the conclusion from the fact of the inconsistency that desire what we will we should make no move as long as everything is not cleared up. Because, if we don't move until everything is cleared up then we will never move, and our economy will go to pieces.

And now comes the answer to the second question: It is not possible to make a reform plan which cannot be nibbled away at. No sort of prior theorizing can take the place of the critique of practice. Look at the spaceships. They are affected by three factors--the gravitational force of the Earth, Moon and Sun. And yet their orbits always have to be adjusted. If only three factors affected the economy and society then we could devise a miraculous model and there would hardly be any need to adjust the course. It is fashionable today to say that on the one hand there are researchers who come up with the miraculous models and on the other hand there are the politicians who throw obstacles in front of everything. Is there a contradiction, a clash between the researcher and the politician? It would be wrong to deny it. But it follows only from their positions. It is easy for us to make all sorts of proposals but--as the young people say today--the politician must take the rap if there is trouble. He has to pay attention to many more factors than I, the economics researcher, even if I also reckon with the social effects. The simplified opposition between us is an error. I have already said that the researchers certainly do not constitute a uniform block. Neither do the politicians. If there had not been a large number of influential people in the political sphere who believed in the reform then there would have been no 1968, and there would be no chance of continuing the reform now. We would be back where we were in the first half of 1953. No one, perhaps, is so stupid as to think that the researchers forced the politicians to introduce the reform. It is another question--and here I speak critically--that rather frequently, when it would have been the job of politics to promote the reform, it did not do so, to put it mildly. I am thinking of 1972 and what came after.

[Question] That was a decade ago.

[Answer] Almost a decade lost. This is a frightful thing in this world, when radical changes were taking place in it. So it is not by chance if, let us say, the young researchers "make a discovery" and, behold, here is a clash, and they see nothing else.

[Question] Upon reading your articles it is most striking that you represent a rather unique position in the reform debates. It might be good to make a tour of this position--if at all possible--with the aid of a few questions. The first of these questions is: In your opinion, Have we now entered on the new growth course?

[Answer] Actually there are a couple of questions and answers which embody what you call my individual position. It is worth noting this because we might warn others that frequently a researcher, or a non-researcher, believes that what he thinks actually coincides with what others think and that actually they are representing a single trend. Then, after a time, damnation, he discovers that what is in his head is not at all what the others were thinking, and especially what the others were doing. To return to the question, it may be that I judge in a way different from the general one the interdependencies between the reform on the one hand and economic policy and social policy on the other, but I certainly am not alone with my view.

As for the concrete question, the problem of the new growth course is a question of economic policy which, of course, is very closely interdependent with the mechanism. The starting point of the 1966 Central Committee resolution and of the entire 1968 reform was the recognition that the economy could not be developed further along the extensive path. What was primarily involved then was that the manpower reserves were being exhausted, so one could develop further only by increasing productivity and efficiency. But since they ran the reform onto the reef, the development of the 1970's remained fundamentally extensive. This was all the greater error because we had already recognized that this should not be done. So by the middle 1970's there was an immense labor shortage, with obligatory manpower assignments, and thus with an extensive solution, with direct guidance. These are blood brothers, and the spread of extensive development brought with it more and more direct measures, centralization, obligatory central manpower assignments. The thing has its own logic. And this logic clearly shows that reality is much more consistent than a theoretical system, because reality must be consistent, otherwise it won't work. So one of the basic problems of 1968 was that economic policy and the cause of the reform figured quite separately; we did not work out a uniform economic policy and mechanism conception. It is a different matter that there were historical reasons for this at the time. One could make a reform; but one could hardly criticize economic policy. Today this is no longer so. So the condition for the further progress of the reform is that economic policy should prepare for intensive development from its side. Because so far we have not taken this path.

[Question] So according to you we are not yet on that path which the vernacular, or perhaps more correctly, the journalistic vernacular, calls the new growth course?

[Answer] No. The development of internal use and of national property shows this. Because what we have in this area now is not growth but rather stagnation, and we only hope that things will pick up later.

[Question] Do you consider what the indicators show to be of cardinal importance?

[Answer] What is essential is what life shows, not the indicators.

[Question] And the indicators also show, for example, that this would be a good time to increase real wages for the first time.

It may be worth noting that even this met with a curious reception. The intensive growth manifested itself in something which there had been no example of earlier, and not very much since, that net production was growing faster than gross production.

[Question] What year was this?

[Answer] After 1968, up to 1972. So in plain language, specific energy and material consumption decreased, more remained from a given amount of production for accumulation and consumption. And how severely was this development criticized! On the basis of custom and bad ideologies they regarded the chief indicator of development to be how much gross production increased, and if this slowed down then this was a failure of the reform, and not a great success of it.

[Question] We might say with some exaggeration that at this moment our economy is characterized by stagflation. Production is hardly increasing, there is quite serious inflation, and a lack of stability is characteristic. It appears--although it is not certain that it is true--as if the West has already succeeded in extricating itself from the better part of these troubles. It is true that the social costs of this extrication were very great--we think of unemployment and the "new poor." The question here is, first, can we extricate ourselves and, second, can we avoid the costs which the West is paying?

[Answer] I think that on the whole the West is not yet beyond its troubles. There is no doubt that there is a fairly real upswing in America, Japan and a few Western European countries, but at the same time other Western European countries are not at all out of trouble, and even in their own judgment it is not certain that this upswing will last.

Here again we are in a curious, schizophrenic state, because as believers in socialism we should actually be rooting that this upswing will not last in the West. But as a country linked to the world market by a thousand strands it is naturally in our interest economically that things should not go badly there. So strictly from the economic viewpoint I say that the upswing there is not at all sure or well founded, it is labile, and this puts a rather alarming perspective before the Hungarian economy. For this reason I would prefer to reduce the openness of the country somewhat--although very few agree with me on this--and we must take the internal market more seriously, must upgrade it, the producers, the users, the individual consumers and the populace, because stable growth can be built only on this foundation. Even Szechenyi once said that internal consumption was the basis for the economy of the country. Szechenyi knew this precisely in his time, but not everyone here believes it today. There is an opinion which--to caricature it a bit--can be summed up this way: Perfection would be to export everything we produce and to import everything we use here at home for production or consumption purposes. I consider this an absurd position, because every normal enterprise leader--the capitalist and the socialist manager--knows that the sure hinterland for an enterprise is the internal market and he can conduct a successful export offensive only by relying on this.



Let us look at the example of agriculture! The agronomists themselves regard it as a dangerous state that a large part of the large farm machine supply relies not on domestic machine manufacture but rather on Western import, that the animal protein feeds come almost exclusively from Western import. They also emphasize that without the development of the internal market agriculture cannot be developed. So a branch which is really market sensitive, which knows better than the other branches what a market is, knows precisely that in regard to its own tools of production and in regard to sale of its own products the internal market is at least as important as the external one.

[Question] Could the optimal magnitude of the openness be expressed with figures?

[Answer] What is usually used is a very bad number, one which compares foreign trade to national income or to the so-called gross social product. It is bad because in itself it says nothing. One could easily find a country in which the openness could be characterized by numbers as large as or larger than ours, and they have no problems, on the contrary. This cannot be judged independent of the level of development and conditions of the given country. There are factors (and the economic mechanism is one of them) which determine how great is the optimal size of various categories (accumulation, investment, national property, and foreign trade as well) in a given country at a given time. The profession used to call this determination the absorption capacity. For example, what volume of export-import an economy can absorb without injuring its stomach. We have always had the problem of far overreaching these limits, and then being amazed that we have an upset stomach. And we do not grow stronger but rather become weaker, as a result of the gastric injury.

[Question] So in your opinion we are too open in comparison to our level of development.

[Answer] Yes. I can imagine and would like to see a Hungarian economy--the level of development of the mechanism has the crucial role here--which did operate brilliantly with this same openness; then I might say, if we attained this, that the present openness might be optimal, then. A consistent continuation of the reform is necessary to attain an external economic absorption capacity a good bit greater than at present. But this is not the situation today. It is not difficult to see this, for today, because of our indebtedness, we are forcing the export of products about which one sees at a glance--for example on the basis of the dollar production index--that they should not be exported.

[Question] What are you thinking of?

[Answer] For example of certain textile industry, machine industry and metallurgical products, even of certain foodstuffs products.

[Question] Do you mean by this that we are exporting some products at a loss, at the price of a sort of self-exploitation?

[Answer] Yes. So then much less remains for internal development and internal consumption than if we were to approximate an optimal level of openness. In my



opinion two things must be done if we are to approximate this level. In the first place we must go back to the level of openness which is optimal for us and in the second place we must do everything in the interest of raising the optimum level, of making greater openness economical.

[Question] I believe that to a very great degree our approximation of the optimum is held back by the fact that we must pay off our debts.

[Answer] Naturally. But if the noose around our neck loosens, and loosens not only because our neck is getting thinner but actually is released, then we can gradually develop a strategy which can go in this direction. Indeed, I would even hazard that if we continue the reform, and if the enterprises do not act on the basis of their short-term interests, then we will not put up for export those products which are not economical.

[Question] There is another question here in connection with indebtedness and openness. Are there political burdens from our indebtedness?

[Answer] How could there not be! I have been talking about this for a long time, and they are not happy about it in certain circles. Of course the creditor cannot prescribe such political conditions as our leaving CEMA or the Warsaw Pact. But he can lay down political conditions which he does not call political, rather calling them economic. And this is natural, for the creditor has certain rights in the name of his money. He wants to get the money back and he wants his money to be managed well--of course, looking at it from his viewpoint--and he has a say in this. We read in the newspapers, for example, that the World Bank is demanding from, let us say Egypt, that they stop subsidizing the price of foodstuffs. We have a connection with this same World Bank. So what happens? The World Bank makes demands from Egypt and not from us? So I dare say that the indebtedness could indeed have a direct effect on some of our social policy.

And one other thing. Not long ago it was hard for us to get credit, we were happy if a little something fell our way. But in the first place bankers do not make a living by not loaning out money. And in the second place there may be political reasons for suddenly taking the lid off the honey pot of credit overnight. If we do not prepare for this we could very easily take a nose dive into the honey pot and get stuck in it.

[Question] Let us return to an earlier subject. I had asked, and actually we slid over to these questions from that, if we would be able to avoid the social costs which we have seen. In the West either they could not or for certain reasons did not want to avoid them. We were talking about unemployment and the "new poor."

[Answer] It depends on how we interpret the social costs. If we define them broadly enough then I would say that we cannot avoid all the social costs. For example, intensive development involves swifter structural change, it includes the fact that not every enterprise and not every industrial branch will develop but rather that, God forbid, there are those which will decline. So then, even in the very best case, a new social conflict may arise, one we have not seen so far--you will have to work elsewhere, you will have to leave the

job you are used to. Today the employees initiate 80-90 percent of the job changes and only the remainder are at the initiative of the employer. I believe that this ratio is still only changing a bit, but already this is causing anxiety, understandable anxiety. So this is already a great social cost, if you want to call it one. But it is also a social cost that we had gotten used to stable prices, and now we are getting used to inflation, although one can never get used to that. You were right to say that this is stagflation. I am convinced that if development gets started then the magnitude of the inflation may decrease, not even to speak of the fact that in the event of increasing real income the significance of the price increases is entirely different than if real income is decreasing.

The real question is unemployment. I am convinced that we will be able to avoid, and that we must avoid, unemployment, but this will require a high degree of responsibility from the state, and the state must assume a concrete role. Simply as a matter of interest and not to take center stage myself I would mention that in the middle 1960's, in connection with the reform work, I raised the idea that this reform presumes the development of state manpower management. At the time this was rejected as an idea alien to the mechanism. I am happy that they accepted it later, not because I said it but because life had proven that there was a need for it. But the state manpower management which I was thinking of could not be developed up to now by the nature of the thing. What we need is a very serious guidance and re-training system, not an obligatory one of course, because if someone is able to go elsewhere to work then God forbid that we should interfere. But if we really want the enterprises to get rid of surplus manpower then it is a condition for this that the task of the state should not be in making declarations alone but rather should be a task in the real world. And the money which a man gets from the manpower management funds should not be unemployment assistance. Because we must guarantee not only money and income but rather a fundamental human right, the right to work. I would also observe that there should not be a great wall between the state tasks and the enterprise tasks in this area. For example, a holding company or some similar form might play a role in manpower regroupings within an enterprise.

[Question] I believe that few people will know exactly what a holding company is.

[Answer] Essentially it is a bank or a bank like institution which operates several enterprises or exercises control over them, in case of need it provides them with financial assets or regroups the financial assets within its own domain in accordance with profit factors. It requires from the managers working at the enterprise that the capital entrusted to them is managed well, not simply that it produces a profit, possibly at the price of ruthless exploitation, but rather that the capital entrusted to them should increase and be held at a certain level.

So here, for example, it would be the task of a holding company to regroup capital or manpower. I consider it very unfortunate that in the entire debate about the institutional system there has not been much talk about creating an enterprise organization which would embrace the entire vertical structure of renewed production, from material production all the way to retail marketing.

There are great possibilities within such a vertical enterprise empire. It would aid a solution of the problems of capital flow and manpower regrouping. This would take very great burdens from the shoulders of the state because--and this is the essential thing--without the enterprises the state cannot solve these problems by itself.

[Question] But we have here a great number of problems which are not directly economic problems. In Szabolcs-Szatmar, for example, there is a considerable manpower surplus today, although this varies a great deal. The problem appears soluble in Budapest, but on a national scale it seems that incredibly great problems are piling up before us.

[Answer] This is a very important question. Actually we began only a few years ago to think of the economy in terms of settlement structure and regional distribution instead of a point economy--as we say in the profession. This is actually a different dimension, and a different dimension poses the problems differently. It follows from this also that we hardly have any solutions for the problems of a regional distribution of the labor force.

[Question] As I understand it one of your favorite themes is social policy, or to use the concept in a broader sense, a policy for society. The problems in this area have become sharper recently. One has the impression that in a number of areas there is not sufficient harmony between our social and economic programs, between our social and economic policy. We need only think of the problems of population policy or social policy. Do you agree with the often heard statement that a good number of our important decisions can be characterized by the poor economic foundation for our social policy decisions and by the poor social policy foundation for our economic policy aspirations?

[Answer] Yes. I have already noted that it was always an essential deficiency of the reform plans that the social effects were not adequately surveyed. What happened between 1968 and 1971 is a good example of this. The 1968 reform, and especially the implementation of it, did not take into consideration the fact that if we introduced a reform which was not tailored to the large enterprises, for example there being no way to raise wages, then referring to the interests of the large enterprise workers could become a pretext for opposing the reform, and really serious political tensions could hide behind this. Or let us take the present situation. Here is the problem of the GME's [economic work associations]. I do not consider them to be part of the reform itself but this is a step in the direction of the reform. But these steps have been taken in a sluggish way, which makes it possible to work and earn not only after the 8 hours but even during the basic 8 hours. If someone goes out to the factories and listens to the debates there he will see that this question is always in the center of attention and this indicates that we may again be committing the error of forgetting the relationship between the reform and certain significant social groups. And the reform can hardly move forward successfully in this way.

But there is something else here too. There are a good number of ideas around which are demanding a serious curtailing of social policy, sometimes demanding its elimination from certain areas, and thus bringing the market into areas where it has no place. These ideas are presented as being opposed to all forms



of uniformization but in reality they embody uniformizing aspirations. A person can easily get the reputation of being an antireformer if, in opposition to these ideas, he says wait a minute, the market economy and enterprise management should not be extended to this or that area. We should try to find a mechanism which serves social policy, or the policy of society in the broader sense, but in such a way that the resources are used more economically. I cannot emphasize enough that the reform cannot go forward if we imagine some sort of sterile economic reform, then try to cram it into society, or, vice versa, try to cram society into some idea.

And now let us look at the other problem hiding in the question, the poor economic foundation for social policy. In my judgment there is only one true measure of the effectiveness of our management, that is the extent to which we can realise our social policy goals, a little more or a little less. If we pose the question in this way then of course it immediately appears that we cannot do this and we cannot do that, although at one time, let us say around 1968 and after, we did them without any real problem. The conclusion which can be drawn from this is that there is a problem in the economy. Of course much can be explained by the constraining circumstances, for example that the real value of pensions is declining, etc. But we should not make a virtue out of a problem. That is, we should not say that now we have discovered what should be done and now we are responsible but when we announced what we were going to do we were irresponsible. To put it concretely, one cannot say that it was irresponsible to introduce the pension system now in effect or the free health service. Our social policy was completely well founded economically in the 1960's and at the beginning of the 1970's. The worsening of the external conditions should not justify such a shaking of the economic foundations either. Now again we must prepare to restore the foundation for these things by switching to the new growth course.

It perhaps does no harm to say that today all sorts of hard charges are being made against the living standard planners of the late 1960's and early 1970's, especially the long-range planners--that they promised Communism, that they were utopian. This is not true. Let me speak of only one goal of the long-range living standard plan formulated at the end of the 1960's. We proposed reaching the average of the Western European countries in 20 years. Not the average which would be then, but rather the one which there was in Western Europe in the 1960's. I believe that there was nothing unrealistic in this. It was a very modest and realistic goal, and to say today that this was promising Communism or an irresponsible promise of Utopia is, I believe, rather a criticism of our economy and not a criticism of the goals.

[Question] In one of your articles you say that the reform can be successful only if the changes introduced reach a "critical mass" within a short time. Do the changes decided on in 1984 and being implemented continuously since constitute such a "critical mass"?

[Answer] Not in my opinion. If we look over the changes--introducing the property tax, the new wage regulation system, electing the directors and the rest--we see that taken together these are very far from being a "critical mass." So actually the task is still before us.

[Question] I gather from this that you would not undertake to outline what sort of package of measures would embody a critical mass.

[Answer] Actually not.

[Question] A question follows from this: What do you consider to be the biggest problem in connection with the fate of the reform?

[Answer] I would not formulate the fundamental question as a problem. The fundamental question is whether the political leadership will take a stand for the continuation of the reform with the same resolve as they did after 1966, around 1968. I regard this as the key question.

[Question] According to you the resolve then was greater than can be experienced today?

[Answer] I confess frankly that I feel today more shilly-shallying than at that time. It is possible that there was excessive self-confidence then. But today I often feel uncertainty. This could derive from various sources. One is a natural fear of the risk of great changes. Another, closely interdependent with this, is that there is not a sufficiently profound conviction that this is actually our path. And a third is coupled with all this, that in actuality every reform can only be a compromise, because, for example, of the clash of various social interests. Of course ultimately the question is the nature of the compromise--does it wash away the character of the reform or do the chief ideas and aspirations of the reform get implemented only because of it. If the political leadership does not promote the reform with complete conviction then not much will come of it; it could easily happen that it will be degraded into regulator changes. That is, there will be no progress in production and social relationships, but rather in all sorts of state regulations.

[Question] So you consider politics the key figure in the truly complex reform movement.

[Answer] Definitely. And this is supported by the many years of experience of economics researchers according to which, ultimately, the economic questions always flow into political questions, and this is natural too.

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HUNGARY

## ENTERPRISE REACTION TO NEW LEADERSHIP FORMS NOT NEGATIVE

Budapest FIGYELO in Hungarian 4 Jul 85 p 5

[Interview with Andrea Deak, chief subdepartment head at the Ministry of Industry: "New Enterprise Leadership Forms: Do Not Be in Too Much of a Hurry..."; date and place of interview not specified]

[Text] There are those who think we are only "at halftime," and the picture is still fairly confused and chaotic. Others ask: if there has already been a changeover to the new enterprise leadership forms at a decisive majority of MEM [Ministry of Food and Agriculture] enterprises, why has this process just barely begun in industry? On top of it all, supposedly, the controversies are numerous even now, and the enterprises' resistance is conspicuous. Still others comment skeptically on the rather complex conciliatory procedure which inevitably--because it is officially prescribed--accompanies the changeover. And there are those who shy away from the new system of enterprise leadership and would prefer to remain in the province of state administration. Furthermore, many feel that certain persons "from higher quarters" are impatiently pushing the process of transformation: they do not say but nevertheless make clear that "we are safely past the whole thing..."

We asked Andrea Deak, chief subdepartment head at the Ministry of Industry, about all this and about particulars related to the topic.

[Question] I heard on the radio\* that two-thirds of the concerned enterprises did not agree with the January classificatory proposals of the Ministry of Industry and resorted to counterproposals. And I read in NEPSZABADSAG on 20 May that "one-third agreed," that is to say, two-thirds of the enterprises rejected the ministry's proposal. Can this be taken as enterprise criticism of the ministry's ideas?

[Answer] Hardly, because the information of Kossuth Radio and NEPSZABADSAG is downright erroneous or at least based on a misconception. Eighty-six percent

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\*Kossuth Radio, "Good Morning," 30 April 1985.

of the industrial enterprises agreed with the proposed leadership form, and I can claim this on the basis of the written opinions which came back from them. Six percent of them request a form which differs from the one recommended by the ministry, and 8 percent of them ask for a date different from the one proposed. What is more, according to the analyses and comparisons so far, the changeover to new leadership forms takes place relatively quickly and smoothly at two-thirds of the enterprises concerned.

[Question] And where it does not? The second category mentioned a moment ago?

[Answer] The great majority of those who do not agree suggest establishment and implementation of an enterprise council instead of the general assembly or delegate assembly form, and altogether six enterprises would like state administrative supervision in the future, too, in place of the autonomous form.

[Question] By name?

[Answer] The Danubian Ironworks, the Lenin Metallurgical Works, the Ozd Metallurgical Works, the Chemimas, the Salgotarjan Clothing Factory, and the Szeged Clothing Factory. In their case we can give an opinion only after thorough analysis and rather lengthy conciliations. The Council of Ministers eventually decides which enterprise remains under state administrative control. In conjunction with this, I also claim that the controversy was less than expected, although I know that many do not share this opinion of mine. It is nonetheless indicated by the facts. I mentioned that the enterprises which disagreed with the ministry's proposal largely suggested an enterprise council instead of a general assembly, or the other way around. As a rule, we accept "counterproposals" of this kind. We, for our part, are scarcely averse to change. In this case, of course, another conciliatory procedure is necessary.

[Question] So the ministry immediately accepts the enterprises' counterproposals?

[Answer] Generally speaking, yes, if they want some other form of corporate leadership. We occasionally have disputes, however, in the case of enterprise modification requests related to changeover deadline. In the case of some enterprises, namely, we have ideas about organizational change, and we have therefore allowed more time for changing over to the new leadership form. And if these enterprises rush the changeover, then practically no time remains for organizational change.

[Question] Why does the ministry insist on controlling the organizational changes? Why is this not entrusted to the new directing corporate bodies?

[Answer] Because in such cases, disputes are frequent within the enterprises concerned. Some factory units, for example, argue in favor of becoming independent, but others would rather stay the way they are. But we think that the ministry's participation can help in deciding whether or not there should be some sort of organizational change. I emphasize that we are not inflexible in this matter, but each such task calls for a painstaking investigation.

[Question] Is not the reconciliation mechanism overcomplicated? In the final analysis, who is the initiator, who is the shaper, who in reality is the boss of the entire process of change?

[Answer] The last part of the question is meaningless, because there is no single "boss," so to speak. The ministry starts the ball rolling and makes recommendations; the sectoral or workplace trade union is the actual organizer and performer. To the first part of the question I can only reply that, yes, the reconciliation procedure is rather complicated, but I am convinced that in this case a common viewpoint, a concurrence of opinion, is particularly important. I advise everyone who is confused by this to reflect that it is a matter of nothing less than a radical transformation of the enterprise leadership system, the introduction of a certain kind of autonomous form, in place of the virtually autocratic state administrative control which has existed up until our time. And this cannot be the outgrowth of routine work. The problem can be solved in two different ways: on the one hand, by speeding things up substantially, by not keeping a sharp eye on the details and the possible consequences, even the essential circumstances and conditions, that is to say, formally; on the other hand, by a great deal of awareness of responsibility, circumspection, indeed, comprehensive reconciliation of interests, in short, by not simply "checking off" the forthcoming task. Incidentally, the ministry would have had altogether 1 month from the definitive and authoritative decision to prepare its classificatory proposals. It is impossible to do such a job responsibly and purposefully in a single month. One month became two, and that is why we incurred a lot of reproaches, mainly from members of the press... What shall I say? We accept the criticism for the delays, and yet today we would not take upon ourselves the possible consequences of overhasty work.

[Question] Am I to understand that a fairly large apparatus within the Ministry of Industry concerns itself with the preparation and completion of the changeover process?

[Answer] The mechanism within the ministry is by and large as follows. The department of organization and development prepared the classificatory proposals. The enterprise opinions arrive here, and this department likewise organizes the conciliatory procedure, but the sectoral deputy ministers carry out the actual reconciliation. After the reconciliations and the concurring enterprise viewpoints, our legal and administrative department drafts and issues the so-called establishment or foundation resolutions. The personnel and educational department prepares the ministry's standpoint on the director's person. The ministry, namely, has the right to concur in whether the present directors of the affected enterprises are confirmed in their positions and, if not, then who among the applicants can be named director and who cannot.

[Question] According to some practicing directors of enterprises, the ministry's personnel department is overactive, as it were. It interferes excessively in--or at least has too much influence on--whether the old director stays or not, who can be the new director and who cannot. All this instead of asserting legal control...

[Answer] I have never heard this misgiving. It is quite true that--according to the rules, regulations, valid decrees--preparation of the choices is first and foremost the task of the enterprises, and yet the ministry can be of help to them in this. For that matter, the enterprises demand this assistance. As far as legal control is concerned, however, we have created a separate department with a clear-cut scope of authority to handle it.

[Question] Then let me ask once more: is not this mechanism within the ministry apparatus overcomplicated?

[Answer] Let me repeat my earlier opinion in another way: it is a question of a measure--one which affects the mass of industrial employees--much more significant than our ability to downplay either the preparatory work or the practical implementation. Let me add that the changeover to a new leadership form must be accomplished without any precedent or practical experience. I know that all this happened more quickly in agriculture, obviously because much more practical experience has accumulated there. The leadership experience accumulated in agriculture is an example for industry to follow. Yet time is needed for an investigation of this kind, even more time is required for adapting the possibly exploitable solutions, and now I ask: who would have thought 1½-2 years ago, let us say, that as 1984 turned into 1985, weeks and months of preparation would be needed for the radical transformation of industrial enterprises' leadership? I remember very well, by the way, that the leadership system which took root in agriculture provided the experts, the competent authorities and the general public with a lot of headaches and vexations for a good decade.

[Question] In other words, in the case of industrial enterprises as well, dilly-dallying and the exploration of possibilities are likely to last a decade, let us say?

[Answer] I hope not, but I warn everyone against overoptimism. During the preliminary work at the Ministry of Industry, the goal is to reduce to a minimum the risk connected to the changeover.

[Question] And there still remain heaps of risk factors. What guarantees, for example, that a recently established enterprise council is immediately able to function and that, in accordance with the original concepts, it can at once make decisions on strategic questions, since most of its members--though obviously well-trained in their narrower professions--have practically no instruction in leadership issues. In this connection, several enterprise directors suggest that the enterprise council members--after their election--receive the time and opportunity for some training.

[Answer] That does not work, unfortunately. As the saying goes, you cannot learn how to ride a bicycle from a book. Democratic leadership procedures cannot be embarked upon by having a portion of those involved in the matter sit down at school desks and having teachers hammer into them what decisions must be made in which cases. No! This work must be started in actual practice. It will then become clear who must obtain what knowledge in order to be able to participate preparedly in the decisions. The enterprise leaders must see to it, however, that the body members receive clear and detailed information, because this is a prerequisite if the leadership body is to be qualified to make strategic decisions which determine the enterprise's long-range and successful operation.

[Question] Apart from expertise, is a responsible standpoint in alternative strategic decisions conceivable without a long-term interest generally valid for the entire enterprise?



[Answer] A difficult question. I would be happy if someone would finally decide what kind of time frame is under consideration when he talks about "long-term" interest. Let me ask you in return: how much time is a "long" term?

[Question] Let us say, 5 or 6 years...

[Answer] I recently read a study according to which the enterprise directors in our country are replaced every 7 years on the average. Let us add that a mandate is received for 5 years in the new enterprise leadership forms. And let us consider something else: in most instances, the processing time of investments is 4-5 years at best! And I did not even count the running-in period...In short, perhaps a single determined investment can be implemented and achieve a measure of success during each director's formally prescribed time of service. So the length of a "long-term interest" is unclear. Aside from this, of course, the question is legitimate, and I agree that nowadays the decisions are more short-term. I note that this problem can be traced back to the rapidly changing market conditions and to a great number of regulatory elements which are likewise unstable. Yet the question equal in importance to the time factor is: what is the preparation for decisions like? Formal, without alternatives?

[Question] In other words, alternative solutions which are sensibly prepared, understandable to everyone, and consequently weighed with responsibility--this is the most important step. The director knows very well that he is obliged to carry out the decisions of the enterprise council. In this case, however, why should he not manipulate the council members, even in the decision preparation phase?

[Answer] But why would it be in the interest of the director and the enterprise's higher-ranking leaders to force the collective steering body to make senseless decisions, senseless because they are plainly unproductive in the long run? Furthermore, if the director, carefully and responsibly weighing two possibilities--after the debate and despite counterarguments--comes out firmly in favor of the one because he personally considers it good and uniquely realizable, and yet it is voted down, then it can happen--at least I think so--that the person concerned will take leave of the director's position, saying that he does not intend to implement a strategy he does not approve because he does not believe in its success.

[Question] Can the new enterprise leadership system threaten with such taut situations?

[Answer] Why not? The question is who suffers the consequences of such situations and how. And because such situations can occur, what the enterprise director believes is very essential: has he been confirmed in his position by a genuine mutual agreement arising out of conviction or only in some sort of make-believe way? And is it likewise essential what the enterprise council, the general assembly or the delegate assembly believe? Whether an action formally embellished as democratic has been forced upon them or whether they are in fact participants in the enterprise leadership, and must they share in the responsibility related to all this?



[Question] To sum up, the Ministry of Industry urges levelheadedness and a well-weighed, highly responsible implementation of the changeover process. Does there not lurk behind this the fact that the ministry has feared its directive position up until now?

[Answer] The ministry has noted that the enterprise leadership forms are changing completely, but because the ministry is still the initiator in this case and there are many things to be done, it requests time and patience for making responsible decisions.

[Question] The ministry is an aggregate of "industrial leaders" in the main professions, that is to say, colleagues employed in the office. For years, decades perhaps, many of them have been accustomed to a certain kind of leadership method, they have become used to a relationship of hierarchical dependence between ministry and enterprise. Does it not cause problems for them to now change over suddenly to another kind of relationship, a partnership built up with the enterprises?

[Answer] It can cause problems. But if we once expect a willingness to innovate from the enterprise leaders, then why could we not expect the same from ministry workers? I have no special misgivings in this connection.

[Question] Thank you for the interview.

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HUNGARY

PROBLEMS, POSSIBILITIES OF AGRICULTURAL ENTERPRISE DISCUSSED

Budapest OTLET in Hungarian 11 Apr 85 p 22

[Interview with Dr Bela Tompa, head of a main department at the Agricultural Economics Research Institute, by Janos Serenyi: "Our Farm Businesses in 1985"]

[Text] "Instead of fighting, we ought to start businesses that can make money under the regulators that happen to be in force.

"The propensity for entrepreneurship is not foreign to the agricultural sphere, and we may say without exaggeration that it has played a decisive role in Hungarian agriculture's development that is rated highly also abroad. It is a peculiar fact that in many instances practice has been (and is) ahead of scientific research, mainly in the sense that while the enterprises 'ventured,' research preferred to merely 'record' the events, offering few progressive ideas and proposals to aid the work of the large-scale farms' managers in this respect." (From the proceedings of the First Business Conference, held last year.)

This statement is not so surprising if one knows that the the Agricultural Economics Research Institute, for example, began its investigations into agricultural business administration only five years ago. We requested Dr Bela Tompa, the head of a main department at the institute, to comment on this.

[Answer] Progress is basically hampered by total confusion already over the definition of the concept. Many people dispute this, but I am convinced that there is no separate small or large business, because this definition characterizes merely the organizational form, and not the content.

[Question] What is your definition of business?

[Answer] I regard three modes of approach acceptable. In the first and narrowest sense, business is merely a decision, a resolution, a signature to undertake something. In a broader sense, it means a process whose first phase

is preparation, and its second phase is the decision, followed by implementation. To the third approach there are added such qualifying attributes as success, profitability, entrepreneurial skill, etc.

[Question] It is fortunate that, independently of the confusion over meaning, Hungarian agriculture has been able to boast of a good many business successes in recent years and decades, e.g., the meat program, poultry program or the grain program. Moreover, at the time when small businesses were launched--and excuse me for using an expression that you have rejected--it was said before several forums that many elements of the changes introduced in industry were based on methods 'perfected' by agriculture. Perhaps the tables will now be turned, and agricultural business administration will adopt proven solutions from industry.

[Answer] That is true. At present we are in a slightly wait-and-see period, studying the businesses in other spheres. We are trying to be selective, and to build only the best proven methods into farm production.

[Question] Some chief executives in industry are convinced that quite a few of the regulators are hampering business activity. What is the situation in this respect in agriculture?

[Answer] To put it tactfully, the regulators applicable in this area could be improved here and there. Incidentally, regulations less successful than expected are not the only thing hampering us. The frequent changes in the regulations are causing far more trouble. My opinion nevertheless is that, instead of fighting, we ought to start businesses that can make money under the regulators that happen to be in force. If the current regulations are subsidizing wheat and corn, that is what we have to grow, and not vegetables. Or to take another example: the present economic conditions are eminently suitable for the establishment of agricultural development enterprises. These organizations are more concentrated and more complete than their predecessors, and state aid is also available for establishing them. With a good sense of timing, several production systems have already transformed themselves into agricultural development enterprises.

[Question] In your opinion, which are the areas in large-scale farming where we can expect significant progress of an entrepreneurial nature in the near future?

[Answer] We do not anticipate great changes in the farms' basic activity. The soil, the production lines, and the technologies are given, and radical changes in them are neither possible nor necessary. Aside from this, certain branches of livestock production and horticulture in some areas may foreseeably be linked more closely than heretofore to small-scale farming on household plots. Here I have in mind, for example, the hog-breeding and flower-growing sections that are more labor-intensive.

The most progress is feasible and necessary in ancillary activity. The overwhelming majority of our agricultural export goes to so-called saturated markets where the requirements are rigorous, and the conditions of competition

stiff. There is pressing need for more enterprising spirit than at present in the areas of transportation, initial processing, processing, and packaging.

[Question] Household plots could now be called the primordial element of farm businesses. In addition to standpoints that recognize the contributions of household plots, we hear more and more views that end on a note of criticism. A frequent complaint is that activities which are functioning successfully in large-scale farming are transferred to the household plots for the sole reason that members can be paid more in this manner. There are farms that provide services for the household plots at cost, and sell them feed and fodder at procurement prices. In other words, the farms are giving the household plots an unwarranted subsidy. On the other hand, there are agricultural cooperatives that hardly care at all about the household plots, or supply the members with breeding animals that are in very poor condition.

[Answer] The picture that emerges is indeed very perplexing. On the other hand, it is quite obvious that it is of fundamental importance to develop further this system of relationships on the basis of mutual financial interest. In addition to the problems, there is a gratifying increase in the number of examples that confirm the strengthening of this sphere's entrepreneurial nature. Today it no longer counts as rare that the members add their own savings to the state grants in order to finance certain investments. Often the large-scale farm adopts techniques that have been developed and tested on the household plots. And you hear with increasing frequency that collective farming and the household plots are seeking solutions jointly. Of course, we can and must speak of the negative phenomena, and of the possibilities of remedying them. But it is indisputable that the Hungarian economy will have an enormous need for the household plots in the coming period as well. Naturally, we must also take into consideration that a person who is working from 4 am to 9 pm must not be "squeezed," otherwise he will work only from 8 am to 5 pm.

[Question] It is being rumored that in many places the specialized cooperative groups are losing their popularity.

[Answer] Due to the changes introduced recently, many people do not regard working in specialized cooperative groups as a truly good source of income. In my opinion, however, specialized cooperative groups will continue to play a significant role in undertaking special tasks. Speaking of specialized cooperative groups, it is worth mentioning that these organizational units require hardly any outside scientific assistance. On the other hand, they are including in their work many researchers and theoreticians as members.

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HUNGARY

ROUNDTABLE ON LIMITS OF AGRICULTURAL EXPORTS

Budapest FIGYELŐ in Hungarian 13 Jun 85 p 17

[Roundtable with Dr Bela Csendes (deputy chairman of the National Planning Office), Dr Daniel Lacfi (director of a main department in the Ministry of Agriculture and Food), Dr Miklos Mentenyi (deputy director general of the State Farms National Center) and Dr Laszlo Ranky (deputy director general of the Terimpex Foreign-Trade Enterprise for Livestock and Produce); moderator, P.B. (Peter Bonyhadi): "How Far Can Agricultural Export Be Increased?"]

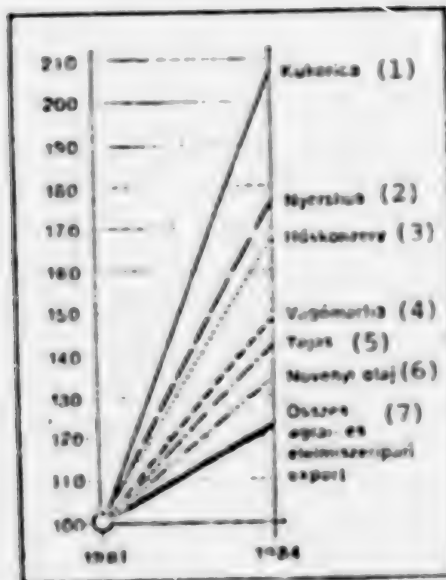
[Text] In our farm and food-industry export denominated in hard currency, the losses due to lower prices in the past three years are close to 700 million dollars. To compensate for this dropout in earnings by exporting more places on agriculture and the food industry a burden that is even heavier than usual, especially when the emphasis in the foreign markets that buy from us for dollars is on special quality, rather than on quantity.

In this situation, unfortunately, we cannot cite the well-known wise saying that the heavier the burden, the greater the triumph. Therefore our editors have invited Dr Bela Csendes (deputy chairman of the National Planning Office), Dr Daniel Lacfi (director of a main department in the Ministry of Agriculture and Food), Dr Miklos Mentenyi (deputy director general of the State Farms National Center) and Dr Laszlo Ranky (deputy director general of the Terimpex Foreign-Trade Enterprise for Livestock and Produce) to outline the problems of the structure of farm production and export.

D. Lacfi: Measures cannot be adopted that could provide this year the additional export allocations necessary to fully compensate for the dropout in export earnings. At best, only a partial improvement can come into consideration, in some branches where the biological turnover is rapid. In poultry production, for example. The grain has already been sown, the prospects for wine are no better than last year, and the hog, cattle and sheep population is declining.

The problem is that the less favorable the conditions, the more difficult the tasks become. After all, the export plan for agriculture and the food industry





Development of the value of farm and food-industry export, and of the quantity of the exported principal farm and food products (in percent).

Key:

- |                     |   |
|---------------------|---|
| 1. Corn             | 5. Eggs                                   |
| 2. Raw meat         | 6. Vegetable oils                         |
| 3. Canned meat      | 7. Total export of farm and food products |
| 4. Slaughter cattle |   |

is higher than last year. On the other hand, in 1985 we can no longer expect to completely offset the drop in prices by increasing the physical volume of export, as we have done in recent years.

L. Ranky: To the question as to whether foreign trade would be able to sell the additional export allocations if they were available, my answer is that we sold everything last year, even though over 9.0 million head of hogs were slaughtered. We exported 30 percent more pork in 1984 than in 1983.

So far as price concessions are concerned, the decline of world-market prices to our disadvantage resulted not so much from an absolute drop in prices as from our switching markets. Admittedly, prices have declined also in Western European markets, but this decline has not been as great as what we are talking about here at home. In Western European markets, for example, the price of chicken has been around 750 to 800 dollars [a metric ton] for years. The price of split hog carcasses, 700 to 750 dollars [a metric ton], has not changed since last year. There has been a substantial drop in prices only in the case of slaughter cattle, due to overproduction.

Last year, incidentally, there was much pork to sell, and this in itself was a factor that depressed prices. Obviously, we are better able to raise prices when there is less to sell. However, the entire quantity cannot be made up through price work.

M. Mentenyi: Ever more economic analyses are questioning whether our farm export is necessary since it is becoming economically less and less efficient. Analyses of this type not only confuse producers, but--there being such an inevitable great need for the dollars earned through export--they also fail to answer the question of what the country ought to export in place of food, if food export is unnecessary from the viewpoint of economic efficiency.

A recurring and constant task is to improve the economic efficiency of exporting farm and food products. It has not been possible in recent years to make the expanding export also more economical. Priorities depend on what the needs are at any given time. And although it is true that we are emphasizing constantly the primacy of economic efficiency, the absolute requirement of earning a volume of foreign exchange has overridden all other considerations.

B. Csendes: It is true that in 1985 the prices for export denominated in hard currency present a rather dismal picture, but this does not warrant questioning the farm export's significance. The sector has practically solved domestic supply, and its net foreign-exchange earnings are also good in comparison with the other sectors. Agriculture's ability to earn foreign exchange must be preserved also long term. And this is typical not only of Hungary. This role has been assigned to agriculture even in countries more developed than ours, e.g., in the United States and France. It is true that market conditions worsened in 1983-1985. Hopefully, however, they will not stay like this always.

And if we are talking about market conditions: in 1979 we adopted the principle that producers, too, must be made to feel the world market's forces. As a result, energy prices have risen and, regrettably, the prices of export sales also have declined in recent years. On top of that, two years of drought. The harvest of cereals was less than had been planned in one of these years, and the corn harvest was down the other year. The natural disasters, the world market's price effects, and the tightening of the domestic conditions (the curtailment of subsidies, and higher import prices) have placed entire agriculture in a difficult situation.

Among the reasons of the possible discrepancy between the export plan and its foreseeable fulfillment we must mention also the severe winter. To provide export allocations, the government and the ministries concerned have adopted measures to stimulate, for example, the production of sunflower seed and corn. When comparing the plan with the expected actual results, we must take into consideration also the fact that the plan reckons with the relationship between the quantity of feed and the size of the livestock population. Thus, if the livestock population declines, feed will be saved, and more grain can be exported.

In response to measures affecting consumer prices, the structure of domestic consumption also has shifted, providing an opportunity to compensate to some extent for the dropout in export allocations. And if the weather, too, is on our side, we will be able to approximately fulfill this year's plan to export farm and food products.

Parallel with the dynamic expansion of export to socialist countries, in the future we expect that a modest expansion will be possible also of the

allocations for export denominated in hard currency. This is a considerable task because it requires an increase of production, which is not merely a question of investment. Processing capacity must be increased, quality improved, new markets developed, etc.

Incidentally, there has been no break in the technical development of the branches that are the principal exporters. Grain production is a good example. The meat industry, too, can boast of larger development projects than ever before. So far as the future is concerned, not the technical and technological problems themselves seem to be the stumbling blocks, but their domestic financing. This is closely linked to the efficiency of production, the production structure, and the world-market prices as well.

L. Ranky: A difficult question in conjunction with export is a solvent market. Every developed country is self-sufficient in farm products or exports them. However, the countries that would buy practically unlimited quantities of food are unable to pay for it. A strong point of Hungary's food export is that it is able to seize also the various small export opportunities, due to its order of magnitude. For example, Hungary does not have the Common Market's beef surplus of 800,000 metric tons, and therefore it is able to move relatively more freely in international markets. But there are many unforeseeable factors! Of course, this can also be an advantage: last year, for example, the heavy hog losses led to unexpected export orders. But for these orders, the consequences would have been serious. Unfortunately, we cannot always rely on such favorable and unexpected opportunities.

E. Csendes: The fact remains that meat and grain are the two largest items in our farm export. So far as the exports' degree of processing is concerned, occasionally processed products are economically the least efficient. In 1982, however, the economic efficiency of processed products declined less than that of unprocessed products, which previously had been economical. The prices of processed products fluctuated less than the prices of direct materials.

D. Lacfi: In some instances, enabling the farms to get more for their products was not the reason for increasing the degree of processing. The point is simply that today certain products can be exported only if they have been processed. But for a threefold increase in the output of pork cuts, for example, we would have been unable to export last year because there would have been no demand for that many split carcasses. But the regrettable fact is that an increase in the degree of processing was accompanied by the worsening of economic efficiency. Nevertheless, this was necessary in the interest of export.

M. Mentenyi: If we examine meat production from the viewpoint of earning foreign exchange economically, it lags behind crop production. However, meat production earns more foreign exchange per hectare than crop production does. Which means that nothing can replace meat production in terms of the volume of foreign exchange earned.

The farms' primary consideration is the rate of return on investment, and livestock production and plantations are very capital-intensive. When a farm sets itself up to raise livestock, it takes away land from cash crops to grow fodder. It transfers the bulk fodder, already of low value, to livestock production that operates at a loss or very small profit. Livestock production is

unable to yield the same rate of return on investment that cash crops alone are able to offer.

For a large-scale farm it is not worthwhile to obtain a loan at 14 percent interest and invest its money in projects whose rate of return on investment is 5 or 6 percent, when the farm is also able to invest even in bonds that guarantee 11 percent interest.

The farms are now buying only machinery and spending their money on smaller efficiency-improving investments. They are not making any decisions regarding tasks larger in volume. What they are interested in are seed production, certain kinds of food processing, and perhaps industrial activity. In other words, everything that is able to increase the farms' income.

The interests of the producers differ from those of the national economy. The national economy, for example, regards corn more important than cereals, but the farms prefer to grow cereals because it pays better. The national economy regards an increase of the livestock population desirable, but it is better for the farms to reduce their herds and flocks. Serious problems will arise if we fail to resolve this contradiction.

The general situation could be summed up as follows: There already are farms that find themselves in a difficult situation and do not know what to do. And the farms that are in a better situation are willing to invest their money only where they can expect more profit.

D. Lacfi: Animals and livestock products account for about two-thirds of the export of agriculture and the food industry. From the viewpoint of earning foreign exchange, there is no alternative to this volume. There is a significant difference between crop production and livestock production in their ability to earn a profit on the same amount of investment.

When a farm wants to expand its livestock production, it invests the profits of its crop production and ancillary branch into an activity that offers a low rate of return on investment or operates at a loss. To this we may add that the farm, to finance its development project, must obtain a loan at an interest rate about twice the expected rate of return on its investment in livestock production. It is very difficult to make such a decision! There can be no doubt that we need also the production of the less profitable branches. But these are the branches that are being discontinued by the farms that are in financial difficulties.

B. Csendes: It is practically commonplace to compare the economic efficiency of grain production with the economic inefficiency of livestock production. But the large-scale farms cannot grow just grain.

The latest slogan is: Let us liquidate the dairy farm! But then what will the farms use the barns for, and with what will they offset their production dropout in value terms? The discontinuation of a branch of farming in itself is not enough to increase profit.



If every farm were to grow grain that offers 30-percent profit, and no one were interested in the branches of livestock production that offer 4-percent profit, then the rate of profit on grain would not remain 30 percent because it would be reduced by high overhead, and the need to employ personnel would also act against economic efficiency. The farms would be unable to utilize their by-products, and there would be no restoration of soil fertility. In the end it would cost more to grow grain than what it could be sold for.

All this, of course, does not deny the fact that several areas of livestock production are not profitable, and that regulation factors also contribute to this. A solution warrants efforts likewise from both directions: from the farms, and on the part of central management.

L. Ranky: Regardless of how important it is to export livestock products, foreign trade is unable to support the development of livestock production, because the one-time rich "tax collector" has become the poor agent of today. Not enough commercial capital is being formed that could be plowed back into agriculture. Moreover, if we were to allow the ripple effect of the present 650-dollar export price of slaughter cattle to reach the producers, then not even the present procurement price could be maintained.

M. Mentenyi: What should ripple to the farms is not the world-market price, but the amounts that the budget is paying exporters.

B. Csendes: Actually we should employ here the same method as in the branch of poultry production, the method of self-regulation. In the recent unfavorable years, poultry breeders knew what the procurement price and the subsidy were, and how much income they could expect. On this basis they were able to decide whether to abandon or continue poultry production. The results showed that self-regulation was successful.

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CSO: 2500/444



HUNGARY

NEED FOR NEW APPROACHES IN AGRICULTURE SEEN

Budapest NEPSZABADSAG in Hungarian 4 May 85 p 3

[Article by Istvan Almasi: "Renewing Agriculture"]

[Excerpt] Many Farms at Their Tolerance Limit

The majority of our socialist large-scale farms have found themselves in a squeeze such that they are now able to tolerate it only with difficulty. The response to economic belt-tightening measures in recent years was not moaning, but an intensification of effort, "We will manage somehow." The managers of large-scale farms did not seek loopholes to avoid certain transfers and taxes to the state budget, but examined what could be done. But now many of the farms have reached the limits of their tolerance. It will suffice to cite the effects of the provision that changed this year the mode and extent of paying state subsidies to farms operating under unfavorable natural conditions. The circle of farms eligible for such subsidies has been broadened, but the amounts of the subsidies have been reduced for the farms that have been receiving such subsidies up to now. A few years ago, a reduction on this scale would not have created any problems, but now it has made farming practically impossible on a good many farms, and therefore quick measures had to be adopted.

These days the circle of enterprises that are capable of expanded capital replacement has narrowed extremely; their reserves have been exhausted or are running out. The danger is by no means fictitious that the momentum will collapse that has been typical of farm production in our country, that Hungarian agriculture will not be able to keep pace with the international front-runners, and that it will lag even farther behind them, instead of narrowing their lead.

It is easy to say that whoever is thinking along these lines is imagining horrors even where none exists. In the final outcome, farm production's performance has been very nice in recent years, despite drought in several regions of the country during two years in succession. On average for the first four years of the current five-year plan, we produced annually 1.5 million metric tons more grain, 200,000 metric tons more slaughter hogs, 100,000 metric tons more slaughter poultry, and 400 million liters more milk than on average annually under the preceding five-year plan.

## Stabilizing Force

Thanks to this increase in production, our agriculture and food industry have become a stabilizing force of our national economy and society. It can be attributed to this increase that domestic food supply has not worsened but has improved in recent years. The proportion of animal protein in our diet has increased, which is favorable. The quantity of the farm and food export rose by 30 percent in four years, exceeding the average for the national economy, and the ruble-denominated export rose even faster. The net balance of trade of agriculture and the food industry has improved, and its larger surplus has contributed significantly toward the fulfillment of the most important national economic task, the maintenance of our international solvency.

All this could be achieved not because investment in agriculture has been reduced sharply, belt-tightening measures have been introduced, and increased payments to the state budget have become an essential element of economic policy. The results that have been achieved in agriculture in recent years have stemmed from other sources. One source has been the productive capital, most of which was formed earlier, with society's substantial contribution. Another source has been the development of the way in which the farms operate. There have been great changes in the organization of farming, work organization, farming practices, discipline and rational planning. In the wake of these changes, agriculture has been able to report increasing output, at practically the same inputs of manufactured fertilizer and plant protectants, and a lower consumption of diesel fuel. But as the productive capital formed in years past wears out and begins to operate less and less efficiently, the reserves inherent in organization likewise become exhausted. This is what the state- and cooperative-farm managers have in mind when they say, "We have run out of thread."

## Requirements, Assets

Within the foreseeable future, no one will take over the role that agriculture played in Hungary's life during the very difficult years behind us. This is what our party congress expressed when it clearly stated the following: "The coordinated development of agriculture and the food industry will remain a preferential task also in the future . . . . Great care must be devoted to increasing the yields in crop production and livestock production. To this end we must better utilize and continuously renew the material, technical and biological assets of agriculture and the food industry."

This is necessary already because only an agriculture renewed in its assets and methods can meet the requirements that the present conditions of domestic trade and international trade are setting for agriculture. It will suffice to cite as an example the production of slaughter poultry, which has been dubbed the successful branch. Of the large-scale broiler farms in Hungary, or poultry-meat factories as they are commonly called, 55 percent are more than 15 years old, and 70 percent are over 10 years old. The conditions of keep on these farms are substantially worse than a decade ago, because their maintenance and renewal have not kept pace with the demand, due to a shortage of funds. As a result, poultry losses on these farms are twice higher than 10 years ago. Feed consumption and the indicator of feed utilization also have worsened.

## Break the Vicious Circle

And what applies to the production of slaughter poultry is applicable to all the other branches as well. When the new broiler farms were built in Hungary, the level of their production and their indicators of economic efficiency matched already in the first year the level of 95 percent of the modern broiler farms in Western Europe; after some experience, they matched the level of 100 percent of the farms. Today the criticism is warranted: feed utilization in Hungary is worse than in Western Europe, poultry losses are higher, productivity is lower, and the costs are higher. But have our state farms and agricultural cooperatives forgotten how to raise broilers in 10 to 15 years? Are the regulators now providing less incentive for profitable production? The answer to both questions is in the negative.

Our agriculture and country greatly need to be internationally competitive, in the case of slaughter poultry and other farm products as well. They need to be competitive because today every third hectare is producing for export, farm and food export is earning a substantial amount of hard currency for the country, and this export is an important offset to the indispensable imports of energy and industrial raw materials. Our agriculture can develop new markets, and retain its existing ones long term, only if it is able to hold its own in international competition.

It is simple to put everything down on paper and to draft resolutions. But realization is incredibly difficult, because we have to break the vicious circle. We often say that we will be unable to realize the hopes we attach to production and farming, unless we can renew our assets. But if we cannot obtain foreign loans to renew our assets, and the present paucity of domestic resources does not allow us to buy more new assets, then what can we do in this situation so that economic recovery and the development of agriculture will not remain wishful thinking?

The only realistic solution is to use our available assets, materials and personnel more purposefully and efficiently. The rate at which we solve this task will determine how fast we can change our present situation. If farming is to become more successful even with the presently known resources, and if its development is to be faster and more even, then very much will have to be done also in the management of the branches of farming, on the farms themselves, and in the other sectors and areas that are linked to agriculture. If everyone who works in, or is concerned with, agriculture performs more, then also the production results will be better. No one can expect a sudden and explosive change. The economy is not a world of dreams. The sources of progress and development can be expanded only gradually, and therefore recovery and prosperity likewise can come only gradually.

In our present situation, there is only one real source of recovery and prosperity also in agriculture, and that is work. This better, more attentive, more disciplined and higher-skilled work is the main reserve of more successful farming. Through such work, up to a certain point, it is possible to produce more value than heretofore, even with our present material and technical assets and productive capital. Economic management is increasing the enterprises' independence, stepping up conformity to the plan, and offering more

incentive to make the production conditions more conducive to greater and better performances.

In agriculture, just as in the economy and in many other areas of our lives, most of the big questions cannot be answered with a Yes or No. The questions are far more complicated than that. But it is certain that through better work, and by improving the financial and material conditions of development, more must be done for the better utilization of agriculture's inherent possibilities than what has been done even in the past few years. We must be able to utilize for the entire country's benefit our great advantage, fairly unique worldwide, that 70 percent of our country's area is suitable for farming. This is one of our country's most tangible opportunities. As recent years have demonstrated, the entire country will benefit if we fully utilize this opportunity.

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POLAND

PUBLIC OPINION POLL ON REFORM TAKEN

Warsaw ZYCIE GOSPODARCZE in Polish No 27, 7 Jul 85 p 12

[Article by Witold Morawski and Wieslawa Kozek: "Society on the Reform"]

[Excerpts] In April 1985, the Center for Research on Public Opinion [OBOP], in cooperation with the Institute of Sociology of the Organization of the University of Warsaw, conducted research on public opinions and assessments of the implementation of the economic reform to date, using a representative sample of the overall adult population of Poland. This was the second survey of its type carried out by OBOP (the first was conducted in May 1983). An opportunity was thus obtained to assess the changes in public opinion concerning the reform in the course of the last two years.

Against the Background of the Situation

In the social assessment of the country's economic situation, one should note above all the lack of present changes. Close to 80 percent of those polled still feel, as 2 years ago, that the situation is poor or bad. About 48 percent assert that the country is emerging from the crisis, and about 45 percent say that this has not occurred. Attention should be called, however, to a certain differentiation in opinions on the above matters, depending on differences in the social position of those polled. People with more education assess the country's economic situation as poor or bad more often than people who are less educated. In turn, members of the PZPR consider it good more often than people who do not belong to sociopolitical organizations.

In general, economic reform is only the third factor (about 21 percent) -- after peace and the patience of society as a whole (about 47 percent) and good work by work forces (about 37 percent), but above international cooperation (about 17 percent) and steps by the government (about 16 percent) -- which in the opinions of those polled is contributing to emergence from the crisis. (The indices in parentheses have to do with the set of 391 people who answered previously that we are emerging from the crisis.)

Model for Destinations

The question in the survey were not limited just to the issue of an assessment of the present status of the reform. They also dealt with the issue of



the direction toward which it should strive. And here are the observations that suggest themselves in light of the answers.

--On the issue of acceptance of the principle of full competitiveness among enterprises, fully 87 percent of those polled are of the opinion that one should strive for it. The percentage of opponents of this principle is minimal (4.2 percent).

--At the same time, fully three quarters of those polled are opposed to the principle of the free formation of prices, without state control.

--Those polled generally support giving the most important decisions at plants to workers' self-management.

--A majority of those polled are in favor of the principle of discharging workers who are not necessarily useful in the plant (62 percent in favor of discharging, and 19 percent opposed).

--Those polled are divided in their opinions on whether to strengthen the private sector: 53 percent, however, are in favor of strengthening it, 40 percent are opposed, and 16 percent are undecided [figures as given].

As one can see, those polled are rather inconsistent in their views on the advisability of introducing market mechanisms in our economy, since on one hand they support competition, and on the other, they support the control of prices by the state. To be sure, this may be evidence of a general belief in the advantages of economic systems different from ours, and at the same time it may be an expression of a belief that the principle of free prices could threaten their current interests.

The next observation has to do with the role of workers' self-management, to which 76 percent of those polled are prepared to give the most important decisions in work institutions. In the answer to a different question, it also turned out that they thought that workers' self-management should not be subordinated either to the director or to the plant party organization, while relations between worker's self-management and the trade unions should have the nature of a partnership.

In conclusion, here are some observations to summarize matters. Society, which still perceives the state of our economy as poor, does not see in the form of the present transitional management model any way to lead the country out of the crisis. It is apparent from the research that this has to do above all with the sphere of prices, the quality of goods, and the material situation of workers. A definite majority of society presents an opinion questioning the method of implementing the reform, seeing threats not only in the objectively existing crisis situation itself, but rather in the mistakes in decisions made at various levels. A large part of society is disoriented, seeing for example the shortcomings of the reform, and cannot supply the reasons for it.

It is perhaps comforting that workers perceive in the work institutions the benefits resulting from the reform, and as in the past, the belief that it is necessary for us has not been discarded. This belief is stronger among those who declare that they are in contact with the reform in their daily work.

Table 1

Type of exchange on the market	Expectations of improvement from the reform in 1983	Perceived improvement in 1984 (in percent)
<hr/>		
Supply of products:		
food	76	61
industrial	73	40
Quality of products:		
food	62	14
industrial	not studied	10
Quality of services:	not studied	10

Table 2

Answers (by percentage) to the question: "With which of the following opinions on the subject of the reform do you agree?"

	<u>Probably yes</u>	<u>Probably no</u>	<u>Hard to say</u>
The reform itself is good, but improperly carried out	61	12	27
As in the past, no effects can be seen from the reform	52	32	16
The reform has been instituted too slowly	48	22	29
The reform in our economy will not get anywhere	25	39	36

Table 3

Answers (by percentage) to the question: "During the past year, have the following changes occurred in place of work?"

Scope of positive changes	Answers of those working in plants	
	<u>included in the reform</u>	<u>not included</u>
Increase in prices	62	11
Increase in production	43	14
Increase in economizing on materials	32	4
Linking wages to productive labor	36	8
Improvement in organization of labor	33	15
Improvement in supply	17	1
Decrease in standstills	17	4
Increase in effort of workers	52	43
Improvement in work of managers	24	15
Decline in number of administrative workers	14	7
Improvement of atmosphere in worker collectives	17	17
Improvement of material situation of the majority of workers	24	25

Table 4

Influence on activity of plants  
from:

Answers of workers at plants

included in                      not included  
the reform

(in %; rank in parentheses)

Plant management	(1) 81	(1) 82
Suppliers	(2) 73	(5) 18
Customers and consumers	(3) 62	(4) 19
Ministries and associations	(4) 47	(2) 52
Higher political authorities	(4) 47	(3) 38
Plant party organizations	(5) 30	(7) 14
Rank-and-file workers	(6) 29	(6) 18
Workers' self-management	(7) 27	(9) 5
Plant trade unions	(8) 17	(7) 6

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14 August 1985

## NEW ECONOMIC PLANNING COMMISSION FORMED

Warsaw RZECZPOSPOLITA in Polish 2 Jul 85 pp 1,2

[Article: "New Look of the Planning Commission, Nominations Made, Opening Discussions: Variants of the National Socioeconomic Plan, the Results of Consultation"]

[Text] In keeping with the resolution on the Planning Commission of the Council of Ministers of 12 July, 1984, the Planning Commission has now become a collegial body. In addition to the chairman of the commission and members of its presidium, it is made up of representatives of central organs of the state administration and of educators and economic, social and state activists nominated by the chairman of the Council of Ministers.

The opening meeting of the Planning Commission of the Council of Ministers took place on 1 July in a new format, connected with the ceremonious presentation of the nomination of its members by Deputy Premier Zbigniew Messner.

The basic tasks of the commission include supervision and evaluation of the socioeconomic policy, expressing an opinion on the premises of future plans, 5-year and annual, and on plans for area development. At plenary meetings, the commission will analyze various implementations of plans and may make proposals for improving the system of supervision and management of the economy.

Appointing members of the commission in the name of General of the Army Wojciech Jaruzelski, Deputy Premier Zbigniew Messner stressed the significance of the commission in the formation of economic policy and wished it success in its work.

Members of the Planning Commission then discussed variants of the National Socioeconomic Plan in the light of the results of the conferences that had taken place. The on-going discussion revealed quite significant differences in views. The basic goal of the 5-year plan, making the economy capable of effective development, was generally approved. In the opinion of many respondents, however, the document itself contains too few universally tolerable elements capable of freeing the energy



indispensable for implementing the plan in the light of present economic conditions.

Among social organizations, there is a prevailing tendency to select the third variant, and here the deciding influence is the expectation of an acceleration in the increase of consumer goods. Meanwhile expert bodies, specifically the Consultative Economic Council, speak for the slower rate of development of the first and second variants as being more realistic.

The Planning Commission also took a special poll of 2,000 enterprises to determine their development plans. A characteristic and disquieting trend among responses received thus far is exorbitant expectations of production plants. It is true that they are not speaking directly of the realistic aspects of the demands of efficiency, but indirectly their position is at least indicated by the fact that as many as 71 percent of the plants are counting on an increase in the supply of energy and materials (21 percent are within the limits), and on a commensurate increase in employment.

Predominant in the conference also was the idea that as a motivational factor, a commensurate increase in real wages is indispensable. At the same time, the somewhat slow rate of increase in consumer goods was criticized. The proposal to build approximately 1,150 housing units in 1986-90 was also believed to be somewhat low, considering needs and expectations. In the opinion of many of those participating in the conference, this number could be increased by reducing the costs of construction by using less material and different technology. Characteristic, however, is the absence of a stand with respect to the proposal of an alternative method of handling an increase in consumer goods or an increase in housing construction.

As Manfred Gorywoda, deputy premier of the Planning Commission, stressed, it seems that making the necessary socioeconomic choices requires further discussion and analysis. The manifestation of a tendency toward insisting on particular priorities threatens the plan for compromises with a rebellion that would be totally unacceptable.

At the same time, the discussion at the meeting pointed up the differences in views. These were the result of varying evaluations of the realities of the economy. In the opinion of some members of the commission, the present conditions are treated somewhat pessimistically. This pertains, for example, to the evaluation of the status of the production potential and an overestimation of the threat of decapitalization. At the opposite pole are opinions that emanate from an analysis of the present role of Poland in the international division of labor and the state of indebtedness. There was agreement on the need to create clear advantages for export. Only its increase, together with scientific-technical progress, presents an opportunity for resolving other economic problems.

Controversy also arose with respect to the level and structure of investments. Besides a statement opting for treating structural changes as a long-term process, there were also opinions demanding their acceleration, even at the cost of investments already made. Also a common trait of many opinions was the demand for greater pressure on processes that would increase management efficiency. What is implied here is applying reform mechanisms, especially the policy of "hard money." It was stated that greater social discipline is required for the implementation of the principles of the plan.

Summarizing the conference, Gorywoda stressed that with the whole complexity of the situation, ensuring the real practicality of the 5-year plan was most urgent. On the one hand, all potentials must be exploited, and on the other, they must not be overestimated in setting goals.

Following is the complete list of members of the Planning Commission of the Council of Ministers.

#### Members of the Presidium of the Planning Commission of the Council of Ministers

MANFRED GORYWODA, vice-president of the Council of Ministers, chairman of the Planning Commission of the Council of Ministers;  
FRANCISZEK KUBICZEK, first deputy chairman of the Planning Commission;  
STANISLAW DLUGOSZ, deputy chairman of the Planning Commission;  
STANISLAW GEBALA, minister for labor, wages, and social affairs;  
JERZY GWIAZDZINSKI, deputy chairman of the Planning Commission;  
JOZEF KOZIOL, deputy chairman of the Planning Commission;  
EDWARD LUKOSZ, deputy chairman of the Planning Commission;  
STANISLAW NIECKARZ, minister for finance;  
LUDWIK OCHOCKI, deputy chairman of the Planning Commission;  
JOZEF ZAJCHOWSKI, deputy chairman of the Planning Commission;  
JAN ZIELINSKI, director general of the Planning Commission.

#### Members of the Planning Commission of the Council of Ministers

Professor Dr WLADYSLAW BAKA, minister plenipotentiary of the government for economic reform;  
Professor Dr ZYGMUNT BOSIAKOWSKI, rector of the Main School of Planning and Statistics, in Warsaw;  
Professor Dr EUGENIUSZ BUTRUK, Center for Postgraduate Medical Education, in Warsaw;  
Brig. Gen. MIECZYSLAW CYGAN, governor of Gdansk Province;  
Professor Dr ZBIGNIEW CZERWINSKI, director of the Institute of Economics Cybernetics of the Academy of Economics, in Poznan;  
Professor Dr ANTONI FAJPEREK, Academy of Economics, in Krakow;  
Professor Dr STANISLAW GORA, director of the Institute of Finance, in Warsaw;  
Professor Dr JANUSZ GORSKI, deputy director of the Institute of Economics Sciences of the Polish Academy of Sciences;

MAREK HOLDAKOWSKI, manager of the Economics Division of the PZPR Central Committee;  
 ZDZISLAW KACZMAREK, science secretary of the Polish Academy of Sciences;  
 Professor Dr JAN KACZMAREK, president of the board of the Main General Technical Organization;  
 Master Engineer JAN KAMINSKI, chairman of the board of the Main Central Union of Agricultural Cooperatives, Samopomoc Chlopska;  
 Master Engineer RYSZARD KAPUSTA, chief director of the Steel Combine, Stalowa Wola;  
 Master Engineer RYSZARD KIELPINSKI, chief director of the Bureau of Plans and Equipment Procurement of Metallurgical Machines and Tools, Hutmasz-projekt-Hapeko, in Katowice;  
 Professor Dr JERZY KLEER, University of Warsaw;  
 Professor Dr ZYGMUNT KNYZIAK, Main School for Planning and Statistics, in Warsaw;  
 Professor Dr FRANCISZEK KOLBUSZ, chairman of the National Council of the Bank for Food Management, in Warsaw;  
 Professor Dr JAN KOLODZIEJCZAK, chief director of the Greater Poland Telecommunication Plants, Telekom-Telektra, in Poznan;  
 STEFAN KOZLIACZY, deputy chairman of the All-Poland Combine of Trade Unions;  
 ZDZISLAW KRASINSKI, minister for prices;  
 MACIEJ MANICKI, OPZZ, chairman of the Federation of Trade Unions of the Ship Building and Repair Industry;  
 Professor Dr EUGENIUSZ MAZURKIEWICZ, prorektor of the Academy of Social Sciences of the PZPR Central Committee;  
 TADEUSZ NESTOROWICZ, minister for foreign trade;  
 Professor Dr MARIAN OSTROWSKI, director of the Institute of the National Economy, in Warsaw;  
 Professor Dr JOZEF PAJESTKA, director of the Institute of Economics Sciences of the Polish Academy of Sciences;  
 Professor Dr. KRZYSZTOF PORWIT, science consultant in the Institute of the National Economy;  
 TADEUSZ PRZYBOROWSKI, undersecretary of state in the Ministry of Internal Trade and Services;  
 Professor Dr KAZIMIERZ SECOMSKI, chairman of the State Population Commission and chairman of the Council for Land Management;  
 Docent Dr WIKTOR SIELANKO, president of the Board of the Central Union for Labor Cooperation;  
 Professor Dr JOZEF SOLDACZUK, director of the Institute for Conditions and Prices of the Ministry of Foreign Trade;  
 KONRAD TOTT, minister-director of the Board for Scientific-Technical Progress and Implementation;  
 JERZY WOZNIAK, minister for materials management;  
 STEFAN ZAWODZINSKI, director of the Agricultural Division of the PZPR Central Committee.

At the same time, in keeping with section 4 of the resolution of the Council of Ministers of 3 August, 1984, on the effective period of functioning of the Planning Commission of the Council of Ministers, of

its presidium and the chairman of the Planning Commission, the president of the State Bank of Poland was designated as a permanent participant in the work of the commission.

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POLAND

## INVESTMENT POLICY FOR FIVE-YEAR PLAN REVIEWED

Warsaw TRYBUNA LUDU in Polish 4 Jul 85 p 3

[Article by Krzysztof Krauss: "Views and Opinions: 'Fair' or Calculated?"]

[Text] The alternative concepts of the 1986-1990 National Social and Economic Plan submitted for discussion contain the stipulation that an increase of 1.4 to 1.8 percent in investment outlays is to correspond to 1 percent of growth of national income created. Unfortunately, even this "investment speed-up" still will not provide as much freedom of movement in development policy during the next five-year plan as many of us had expected. This is due to three factors.

The first of these, about which we wrote at length in an article entitled "With Imagination but Realism" and published in TRYBUNA LUDU No 117, 1985, is that the rate of growth of national income will be relatively slower primarily as a result of the raw materials and energy restrictions. Consequently, even assuming that a greater share than in recent years of the additional resources deriving from increased national income is earmarked for future needs, the net investment percentage will remain lower than at the end of previous decade.

In 1980 this percentage was 23.5 percent, and in 1990 will be 20 to 23 percent. Without cutting back the consumption funds, something entirely out of the question, the inadequate material resources simply rule out the possibility of allocating more for investment.

Secondly, we must finally "settle accounts with the past," that is to say, complete investment projects begun in previous years and not stricken off the records during many audits (about 1.7 billion zlotys of national assets are tied up in them), continuation of which is considered to be reasonable and economically justified. Deferring resolution of this matter will merely increase economic losses.

For the most part, all the potential for replenishing the consumption fund with money saved by restrictions on investment has been exhausted. On the other hand, prolonging the process of completing these projects, aside from delaying the time when new facilities should begin paying for themselves,



entails additional expenses for maintaining the construction sites already "open" and often also widens the gap between the level of technology represented by these facilities and peak world-scale achievement.

New generations of products and new generations of applied technologies are arising, in the light of which the solutions embodied in these investment projects are becoming increasingly obsolete as time passes.

For this reason, as is reflected in the construction schedules, nearly one-third (around 3 billion zlotys) of the investment outlays projected for the 1986-1990 period have already been earmarked for so-called continuing investments. As the construction schedules show, the investment outlays in 1986 and 1987 will continue to tie up about 85 percent of all the funds which the national economy is able to allocate for investment construction.

Thirdly, the drastic reduction of investment funds in the first half of the 1980's made necessary by the effort to mitigate consequences in the sphere of consumption (decline in material output) accelerated the process of decapitalization of national assets. There have not been enough funds to routinely replace the production facilities consumed in the course of normal operation of buildings, machinery, equipment, and so forth.

Checking the process of decapitalization of national assets alone requires allocation of about 5.3 billion zlotys during the next five-year plan for capital replacement investment. Together with the 9.6 to 10.3 billion zlotys which we can earmark for investment from 1986 to 1990, provided that we achieve the projected rate of growth of national income and the division of the national income between the consumption and accumulation spheres assumed in the alternative concepts of the National Social and Economic Plan, more than 8 billion zlotys have already been "administered."

These funds will thus be absorbed by continuing investments begun earlier and by expenditures intended to prevent deterioration of the serviceability of production facilities already available.

Respect for the facts, for economic realities, thus compels realization that far-ranging restructuring maneuver, consisting in initiating a program for rebuilding the national economy, will not be possible until the end of the 1980's, in effect not until the 1990's. Not until then will the resources we will be able to allocate for development provide the basis for relatively freely devised future concepts of the national economy, that is, for investing the funds where they will yield the greatest and most desirable benefits.

That is, the concepts must permit closer coordination of investment policy with the need for radical reduction of the raw materials and energy intensity of production, with strengthening the orientation toward export, with more active utilization of the international division of labor than in the past, especially within the framework of the socialist community, to lower costs and heighten the effects of development, etc.

The main reason why the energy intensity of our economy (and its material intensity as well, we may add) is 2 to 3 times higher than that of the highly developed countries (about which Professor Mieczyslaw Lesz recently wrote a heavily documented article entitled "Conservation Alone," in ZYCIE GOSPODARCZE, No 22/85) is represented by structural differences.

Chemistry is a typical example. The fact that, say, the energy intensity of chemical production in Poland is currently more than 45 percent higher than in Czechoslovakia and nearly 4.5 times as high as in the Federal Republic of Germany is due not so much to the circumstance that we do not know how to "conserve" this energy as to the circumstance that high-tonnage chemistry predominates in Poland and medium-tonnage and low-tonnage chemistry in these other countries. These figures show forcefully and graphically what needs to be done to bring about radical change rather than take tiny steps to lower material intensity.

What is needed is modification of internal economic proportions, and this does not depend exclusively on the amount of funds which can be earmarked for investment. At the end of the 1980's there will be no smaller proportion of them, in relation to the national income, than there is now in Czechoslovakia, and also in Hungary, Italy, Sweden, Belgium, Spain, and so forth.

This will depend at least to an equal extent on freedom in the directions in which these funds are used, and for the time being, as I have already pointed out, this freedom is greatly restricted (and will be for several years to come).

In my opinion, it would, however, be erroneous to conclude that we have absolutely no room for maneuver. We do not have all that much, it is true, but significant "investment maneuver" potential which can bring us closer to optimal internal economic structures is to be found in rational planning of capital replacement investments, for which a greater amount of funds, more than one-half of all outlays, is to be earmarked over the 1986-1990 period. It is simply a matter of not dividing these funds "fairly," as is generally demanded by enterprises which want the entire amount of depreciation write-offs left at their disposal, but of dividing them in accordance with criteria based primarily on macroeconomic calculation. Ruthlessly taking this thought to its logical conclusion, I will say that I think this not to be the time and place to check the decapitalization processes in every sector of production.

Wherever the nature and the assortment structure of production are not in keeping with the priority needs of the economy, being out of line with the current and projected raw materials supply potential, available labor reserves, etc, not only should the increasing decapitalization not be checked, but the processes of spontaneous liquidation should even be speeded up, for instance by making financial burdens heavier, tightening the requirements for obtaining any credit whatever, and so forth.

In contrast, wherever the structure and nature of production are the closest to what should predominate in our economy in the long term, we

should create conditions such that our own funds allocated for replacement of national assets will additionally be augmented with funds "from outside," including funds from plants whose continued existence is no longer justified in the face of the changed economic realities.

I do not think that it would be necessary for this purpose to resort to the methods of administrative control of the distribution of funds intended for capital replacement investments. The same goal can also be reached by indirect management methods, for example, by making it easier for capital to be transferred between economic organizations, if necessary by subjecting any investments not on the "preferred list" to heavy taxation, even capital replacement investments, etc.

The economic tools which should be applied to support and inspire the initiation of processes of this kind are questions for thoughtful consideration. But the direction of action seems to me to be obvious. It is dictated by realistic assessment of the potential and needs of the national economy.

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POLAND

DEPUTIES, ECONOMIC BODIES DEBATE, REAFFIRM SELF-FINANCING

Warsaw RZECZPOSPOLITA in Polish 5 Jul 85 pp 1,5

[Article by CH: "Deputies' View of the Economy: Financial Independence, a Pillar of Reform"]

[Text] The closer we get to final solutions, the hotter the discussion becomes. This is might be the most concise way of describing the course of the session organized for 4 July on the initiative of the PZPR Deputies' Club by the presidium of the Commission for the Economic Plan, Budget and Finance, the presidium of the Commission for Legislative Matters, the presidium of the Legal Council, and the Sejm Office on the subject of evaluating the legal status of the financial management of enterprises under conditions of the economic reform.

This comment confirms the fact that more than a month after the Poznan party-economic conference, work on reform resolutions, which are the instrumentation of the five-year plan, have entered a decisive phase. Meanwhile financial management, and, broadly speaking, financial independence, is one of the fundamental pillars of economic reform. Its survival will depend both on the success of the plan and on the effectiveness of implementing the economic reform.

The need for such a meeting had been developing for a long time. Even during the national conference of PZPR delegates, the discussion leader, Zbigniew Gertych, deputy marshal of the Sejm, stated that many suggestions and opinions had been expressed concerning the excessive number of new legal acts, the loopholes in them that are exploited contrary to the intentions of the legislature and the interests and aspirations of the workers.

The session on financial management of enterprises dealing with these postulates inaugurated a cycle of meetings that were intended by the organizers to analyze the entire status of legislation dealing with economic reform.

In the course of the session, an attempt was made to find a solution to the question as to what extent the regulations of financial law promote



improvement in efficiency of management, freeing initiative, and assuming co-responsibility for the results of the enterprise.

In his introduction to the discussion, Andrzej Wroblewski, representative of the Office of the Government Plenipotentiary for Economic Reform, said: "The principle of self-financing of enterprises establishes that they should have control of funds necessary for conducting on-going activity and for meeting developmental needs. Experience indicates, however, that this principle encounters many limitations. Basic limitations include the system of prices that warps economic accounting and financial results as well as control of supply turnover. This results in a partial limiting of the financial independence of the enterprises, which, in turn, affects the efficiency of their management."

In the resolutions, the financial system was intended to be very clear by reason of maximum limitation of the number of appropriation funds, which were so widespread in the 1970's. Now we are seeing a trend that is unfavorable to their rebirth. The "centrum," wanting to ensure for itself the possibility of directly affecting the management of enterprises, speaks in favor of their restoration. In turn, the enterprises themselves, favoring the creation of new funding, argue this fact, saying that the general resolutions of the reform cannot be adapted to the specifics of the enterprise.

The limitations on the financial independence of the enterprises that emanate from the system of prices and controls make evaluation of their operating efficiency more difficult. In the discussion it was stated that if this is evaluated only from the point of view of their profitability, then the statistical picture will appear to be satisfactory. If they are evaluated through the prism of resources that they have at their disposal for current operations and development, it becomes apparent that the situation is much worse, and, what is most important, it is greatly varied. On the other hand, however, it has been stressed that even enterprises that are well off do not expend their funds in the most effective way. The limited availability of raw materials and supplies and the small possibility of purchasing new production equipment result in part of the money in development funds being appropriated for nonproduction projects, and therefore in not being measurable in economic results.

The majority opinion was that the resolutions of the reform that would be binding during the ensuing five-year period should create conditions for undertaking joint developmental projects. Although the existing regulations contain appropriate incentives, their effectiveness is slight. This is true not only for state enterprises, but also for other economic entities. Greater financial independence that would for example, allow the remission of obligations, which has been widely practiced in Hungary in recent times, is indispensable.

Experience from the years of reform indicates that an economic system based on enlarging the role of self-financing increases interest in the



effects of management. Further improvement in this area requires reconstructing the system of assessments for the State Vocational Activation Fund, which fulfills its role as an instrument counteracting inflation to only a slight degree at present. It could be effective only if all enterprises were to be in a similar situation, that is, if the reform were to start from a reconstruction of the wage system.

During the session, which lasted many hours, both experts and directors of the largest factories in the country who had been invited had the opportunity to present many specific proposals for solutions; this was a sequential stage not only in the evaluation of the state of functioning of the reform and its mechanisms, but it also gave the deputies and the Sejm additional argumentation and information on the reform, facilitating a penetrating evaluation of government documents that will be directed to it.

Participants in the session were: Stanislaw Gucwa, marshal of the Sejm, Piotr Stefanski, deputy marshal, and representatives of interested ministries and social and political organizations.

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14 August 1985

## POLAND

## POLAND, FRANCE RESUME ECONOMIC TALKS

Warsaw ZYCIE WARSZAWY in Polish 13-14 Jul 85 p 4

[Text] The deputy chairmen of the Polish-French Inter-Governmental Commission for Economic Cooperation met in Paris on July 11 and 12. The Polish delegation was headed by Vice Minister of Foreign Trade, Antoni Karas and the French by Philippe Jurgensen, Director for International Economic Relations.

During the talks, both sides analyzed the present state of Polish-French economic relations and found practical solutions to some of the problems hampering their development.

The Polish side emphasized its interest in increased economic cooperation, while pointing to the need for the provision of favorable political, commercial and financial conditions on the French side.

The meeting of the Commission's deputy Chairmen constitutes a formal resumption of economic dialogue between the two governments after a four year break.

Vice Minister Karas also met the leaders of the French entrepreneurs' association CNPF. Both sides expressed interest in the invigoration of cooperation between economic organizations of both countries.

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POLAND

#### WAGE POLICY REVIEWED AFTER ECONOMIC COUNCIL MEETING

Warsaw RZECZPOSPOLITA in Polish 5 Jul 85 p 3

[Article by Bozena Papiernik: "Following the National Party-Management Conference: What Is Next in the System of Wages?"]

[Text] This question has lost none of its urgency at the threshold of the approaching 5-year period. The course of the National Party-Management Conference and the whole discussion that preceded it--wages constituted one of its main and most controversial points--leaves no doubt that a formation of a wage policy under the conditions of economic reform is a more difficult, complicated and controversial process than it seemed at the outset.

From the point of view of constructing a new model for this policy, three problem areas become apparent: adjusting the system of awards within the enterprises, creating an economically sound and just system of providing management units with award funds and developing new methods for controlling the relation of wages to the rest of the economy. A socialist state cannot resign from influencing the policy of income for its people and it is obliged to ensure that the principles of just payment for work be observed.

#### Under New Conditions

Today the methods of constructing the wage scale must be radically different from the methods inherent in the orders-directives system; this is certain. But what they should look like under the new conditions is an open question. Basically, without going into the dilemmas involved, it would be worthwhile at least to indicate that the idea behind the proposed principles of the wage policy for the next 5-year plan developed by the Ministry of Labor, Wages and Social Affairs, includes the condition that control of wage ratios in the economy should be based on a system of evaluating work on the basis of a method uniform for the whole country. This question remains at an initial stage.

The road for setting in order awards within enterprises, varying them according to quantity and quality of the work, has been indicated in the clearest terms. It was delimited in an unequivocal way by the regulation on the plant system of awards; a year after the first wage agreement, this system is functioning in more than 2,000 enterprises. The desirability of continuing and extending this process is not subject to the

least doubt, nevertheless, "varnishing" it would be a great mistake. At the Poznan conference, Professor Antoni Rajkiewicz, director of the Institute of Labor and Social Affairs, said: "Improvement is apparent, but inadequate, and the plant systems of awards have not been fully exploited as a means of setting in order the norms and organization of work."

It might be added here that improvement is uneven. There are enterprises where the new system has become mainly a Trojan horse for increasing wages; there are also those where it is treated only formally. Yet it cannot be denied that the plant systems exhibit many creative manifestations, that they break the habits of equal pay, tolerance of idlers and of lack of respect for work. In the document, a respectable majority of those attending the Poznan conference agrees that "this process is an important stage in the formation of a central wage policy" and that "if the motivational function of wages is to be upheld, collective bargaining cannot be the occasion for increasing the benefits section of awards regardless of the pressure brought to bear in this direction by interested parties, especially by the union movement."

#### About the State Vocational Activation Fund

In the area not only of wages, but of the whole reform, the greatest passion is elicited by the present system's structure for providing enterprises with funds, that is, the State Vocational Activation Fund (PFAZ). The Poznan conference was no exception to this. The role of PFAZ as a barrier to inflation that forestalls excessive expansion of awards was not negated. Its drawback is that it is a barrier without chinks and frequently has an effect that is contrary to economic logic. A significant point: the criticism levelled at PFAZ at the Poznan conference is basically in agreement with the results of an analysis of the functioning of this instrument that was carried out by Ministry of Labor, Wages and Social Affairs in 1984 in more than 2,000 enterprises.

What does this document say? It seems that regardless of the criterion adopted for the enterprise, whether it was a criterion of gross or net production, or the so-called non-criterion system--in every case, the increase in production was incommensurably lower than PFAZ growth--regardless of the thesis, the crowning critical argument put forth at the Poznan conference was: excessively extended relief is the basic cause of the "softening" of the PFAZ system. It is sufficient to say that today as many as 70 percent of the workers in the socialized economy work in enterprises that benefit from various kinds of PFAZ relief. The exceptions have, therefore, dissolved the rule.

The conclusion of the analysis mentioned is that in the enterprises studied, a significant proportion of payments (approximately 25 percent) was the result of relief, that all too frequently several kinds of relief were exploited simultaneously, i.e., exceptions to the tax base, exemptions from the tax itself on various grounds and privileges based on the

granting of an advantageous, higher bracket, the so-called corrective coefficient. It is not surprising then that in the judgment of many, PFAZ has become a synonym for a discretionary-bargaining system, or, as it has been described, a "begging" system.

It is certain also that the inflation of relief weakens the economic rigors in the enterprises, makes money, which should be "hard," "easy," and makes it hard for those who are not lackadaisical but try to discipline wages. In this context, an important theme proposed by the group at the Poznan conference that was concerned with the economic education of the community should be emphasized. They stressed specifically and emphatically that experience, observation of actual life processes, is what educates producers, not theories or the most exalted principles, propaganda or agitation.

#### Wage Regulators

The changes in regulators of awards proposed initially by the work agency (no one will insist on the name, PFAZ, and it will probably be changed to "a progressive tax on increased wages") are among the bold; they do not stop at half measures, they are not trying to rescue what should not be rescued. This should be recognized. They seem to be moving in the right direction. In view of the impossibility of designating a single, universal PFAZ criterion, in view of the somewhat high demands generally applied, which often became a guillotine, that resulted in an avalanche of pressure for relief, it is proposed that the changes be simply systematically sanctioned and made clear so that several systems regulating the flow of funds to the enterprises might act collaterally, depending on the specifics of the enterprises. The point is that the wage regulators must be based on principles that are simpler and more stable than PFAZ and more resistant to attempts at bargaining, as was stated at the Poznan conference. This will not, however, exhaust the list of real dilemmas connected with tax on wages. In Poznan, postulates of somehow tying wages and wage regulators to the costs of supporting and making the lowest wages more realistic were repeated.

In summary: we must not expect that the new, proper model of wage policy will become a reality easily or quickly. It is a matter of a long process that will proceed step by step as a result of simultaneous efforts of enterprises and the centrum. The construction of a new model of wages must depend on an assiduous seeking of ways to arrive at this model, on a consecutive resolution of complicated problems of which there are many. Here we might emphasize a matter that is, without a doubt, one of the most important today, one that requires resolution first of all. It is the demand to curb inflation which blunts every wage system. It is the further reduction in the movement of prices which feed the appetite for wages.

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POLAND

## MINISTER EYES HEAVY INDUSTRY GROWTH PLANS

Warsaw RZECZPOSPOLITA in Polish 12 Jun 85 p 3

[Interview with Janusz Maciejewicz, Minister of Metallurgy and Engineering Industry: "How to Accelerate the Development of Industry -- A Question for the Minister"]

[Text] The readers were interested in everything. In the size of production and its quality. In difficulties and aspirations. The questions which were repeated most often served as material for our interview with Minister Maciejewicz.

[Question] In the eyes of the public, despite efforts, not much has changed in terms of what industry is producing and how it is doing it. Why is progress so slow in coming in the engineering industry?

[Answer] The public imagination is shaped largely by the market, and many products are in short supply or are missing from the market. Despite the difficulties, especially in the realm of supplies imported, in 1984 production was set in motion for nearly 2,000 new products, and nearly 700 outmoded products were withdrawn. For example, we are building a prototype production line for the automated assembly of large-scale integration consolidated units. This will make it possible to make rapid progress in electronics for general use. We are preparing to set up production of thrifty electric motors. Farm machine factories have begun to use robots for many production processes, especially those which are tedious for people to perform.

### Mechanisms and Prohibitions

[Question] A great deal is being said about the fact that our industrial production has too high a level of materials and energy consumption. In extreme cases the materials management ministry goes so far as to prohibit production. Then what?

[Answer] The material-intensiveness and energy-intensiveness of production for products of Polish electric machine industry is now higher (by about 30 percent on the average) than comparable goods produced in the highly industrialized countries. Compared to goods produced in CEMA countries, the goods of our electric machine industry have similar materials and energy-consumption indices.

The thrift programs drawn up and being implemented call for a decline of 22 percent in the consumption of energy per 1,000 zlotys value of production in 1990 compared to the 1983 level, and 31 percent by the year 2000, and a consistent decline in the consumption of materials amounting to 2-3 percent per year.

There is a production prohibition in our country on 90 items and technologies considered to consume excessive energy and materials, including 41 from our ministry. Three were held up in 1984, and another three received a stop order since the first of 1985. Another six items are expected to be suppressed as of mid-1985. Dates have been established for 1983-1990 to stop production on other items, so that plants will be able at the same time to prepare new production proposals.

The execution of tasks provided for in the resolution and the expansion of steel production lines at the Katowice Mill will go far in reducing the level of material and energy consumption of the metallurgical industry. This investment in the Katowice Mill will help save steel and energy throughout the country's metallurgical industry (200,000 tons of steel, from about 30-40 kilowatthours per ton of electric power and about 2,000 MJ per ton of heat).

A benefit of the Katowice Mill expansion will be that the most antiquated energy- and materials-intensive departments in old metallurgy can be eliminated. These include two large-furnace sections at the Kosciuszko and Bobrek mills, four marten steel plants at the Florian, Kosciuszko, and Bierut mills.

[Question] Gross sales indicators are no incentive to savings or therefore to progress. There was talk about this before the reform, before the crisis. Why is there such stubbornness to change to net measures? Take the metallurgical industry as an example. Tons are still being counted.

[Answer] The reader's shot was off target. It is right in the metallurgical industry that the role of the net indicator is increasing significantly. This year, besides the five outmoded mills in which the repairs and overhaul are taking such a share of the production costs and the technology is so outmoded that it is not possible to introduce the net indicator but the needs of the national economy are making it impossible to get rid of them, all mills are now using the recommended net indicator.

[Question] Why is the ministry of metallurgy and engineering industry forcing the integration of the administrations of the enterprises? Do large economic organizations automatically insure greater operating and management effectiveness?

[Answer] I cannot agree with the accusation in your question, the accusation that the ministry is forcing anything at all in this area. On the basis of corresponding government decisions we are preparing several versions of such concepts. We are carrying on discussions with groups of specialists, with the Office of the Government Plenipotentiary on the Economic Reform, and with people who are involved both in management and in the self-governing bodies of the enterprises in the metallurgy and electronics branches. I think that creation of enterprise groups in the above-mentioned branches to permit internal cooperation by putting it in one enterprise and to create conditions for combining more funds to have them available for their own purposes is a useful thing for effective

management. we have many favorable examples from the operation of large multi-factory companies in our country, such as the Wola Steel Mill Complex and the Copper Mining and Metallurgy Complex.

Nonetheless, as a ministry we have never taken the position that only large economic organizations provide for greater effectiveness throughout the industry under our ministry.

#### Make Progress at a Profit

[Question] What can be done so that industry can profit from its development? Why cannot even such modern production areas as electronics, automation, and robots afford to accelerate their development? And why does not progress in this area accompany a decline in our production costs? After all, it is cost reduction that is the essence and sense of technical progress.

[Answer] This question really deserves a long article, but in order not to let it go unanswered, I would like to point out that for 2 years in a row investment outlays have exceeded the targets of the annual plans. The systems solutions in effect from 1982 to 1985 went in the direction of limiting overall possibilities for investment. On the other hand, the system provides for a number of special benefits to permit a certain development of priority directions. The priority given to the electronics industry in Council of Ministers Resolution No 77, dated 1983, is an example. But you have to remember that the successful implementation of automation of any process or using robots for such a process requires both time and funds, as I have already mentioned, along with the equipment for the automation, and finally the people to install it. For this reason we should not expect visible results here, for example, in the course of a single year.

[Question] Why such stubbornness in designating the specialization of the Polish engineering industry? After all, we cannot afford to develop everything, can we? Or do we still not know what is profitable for us?

[Answer] We are making these structural transitions as current possibilities allow us to. Last year the production of data processing equipment (in fixed prices) rose at twice the rate that the whole ministry's production did, and the production of the electronics industry even rose two and a half times as fast. Our enterprises are taking part in 72 specialization and coproduction contracts or agreements with CEMA countries, and 30 of these are bilateral, the other 42, multilateral agreements. These contracts cover 214 products or product groups from 23 branches of industry.

We anticipate that during this decade the production of such branches as electronic subassemblies, data processing equipment, and medical apparatus will increase by about 250 percent in fixed prices, which means that it will grow three times as rapidly as the total production of the electric-machine industry.

Our specialization will include export production of power equipment, machinery, and implements, machine tools; reclamation, road, and construction machines; computer systems, ships, and goods of the electronics and teleengineering industry.

## From Native Raw Materials

[Question] We export a lot of raw materials in unprocessed form. What is being done in the engineering industry to make better use of domestic raw materials within our economy? Are there any real incentives or possibilities in this direction?

[Answer] The metallurgy and engineering industry ministry has taken the action necessary to expand the branches of the electric-machine industry by utilizing domestic raw materials. And so examples on the list of government orders are the production of items like beam conduits, electric-power conduits, and low-current conduits; electric-power, signal, telephonic, and ship cables; printed circuit boards, batteries, primary batteries, and the like.

The development of the production of such items is based on domestic raw materials, like copper, aluminum, lead, and zinc. Besides this the electrical engineering industry in 1985 has payment priorities (PFAZ benefits) outside the conduit and cable industry.

Because production of the above-mentioned items is covered by government orders, a significant increase in deliveries in 1985 will be possible in relation to the fulfillment of 1984.

It is projected that from 1986 to 1990 there will be identical development of the following branches of industry based on domestic raw materials (aluminum, copper, lead, and zinc), cables and conduits (production by 1990 will increase by 70 percent in relation to 1984, and exports will increase by 125 percent), electric turbo-machines (production will increase by 40 percent over 1984 by 1990 and exports by 50 percent), low-voltage apparatus (production by 1990 will increase by 25 percent in relation to 1984, and exports will increase by 29 percent), and electric instrumentation (production by 1990 will increase by 36 percent in relation to 1984, and exports will increase by 28 percent).

## What We Can Afford

[Question] In many enterprises there is talk about decapitalization of fixed assets. At the same time these assets are not being fully utilized. So we really do have decapitalization on our hands, or is it merely the financial expression of it (amortization)?

[Answer] Within the industry we have a large proportion of machine tools that are more than 20 years old, more than 28 percent. These machine tools are fully decapitalized both physically and technically, but there are two reasons why these assets are underutilized in these enterprises and in those with new equipment. First, there has been a reduction in work time in relation to the pre-1980 years through the introduction of Saturdays off. The second thing is the decline in employment. During the past 5 years employment in the engineering and metallurgy industry has declined by 165,000 persons. The only remedies for this are automation, modernization, and the use of robots in the production processes.



[Question] What should our industry's policy for development be? Do we have enough research solutions suitable for industry to use? Should we go back to the ties with the firms with which we previously had licensing agreements? Do we know the best, most effective way to use for development the meager resources we have available?

[Answer] I will give you a short answer: The development policy must be courageous but realistic. We have enough new research designs, but of course not in all areas of development and technology. We simply cannot afford it. To a certain extent we have to make skillful use of cooperation with other countries, especially the CEMA countries.

We are maintaining ties with the companies from which we bought licenses. In many cases this cooperation is good and effective, but for the most part we are relying on our own post-license efforts. Insofar as possible we will continue to buy licenses. We also want and will sell more and more of our own scientific and technical advances.

Do we know how to make best use of the scarce resources for development? At the present time numerous groups of our most esteemed scientific and industrial experts are working on an answer to this question. We are constructing a draft of the five-year plan and programs for development to the year 2000.

10790  
CSO: 2600/821



POLAND

BRIEFS

**BELCHATOW STRIP MINE CONSTRUCTION**--Work has begun at Belchatow on the construction of the "Szczercow" strip mine. Groups of workers from Wroclaw have been drilling the first wells to drain the lignite deposit there. They have made seven holes so far. One well is already in use. Its water serves the workers themselves. Work is also being done on the construction of inner roads and on the investor's camp, and on shifting the Krasowka riverbed. Soon, work on the construction of a power line and station will begin as well. The lignite resources of the "Szczercow" deposit are estimated at nearly 729 million tons deposited in a bed of an average thickness of 55 m. Removal of the overburden will begin in July 1989. In order to reach coal, it is necessary to remove 213 million cu m of the overburden. It is planned that the first lignite will be excavated in 1995. The initial yearly "Szczercow" yield will amount to 12 million tons of lignite, to ultimately reach 26 million tons. [Text] [Warsaw ZYCIE WARSZAWY in Polish 16 Jul 85 p 2]

**NORTH-SOUTH HIGHWAY PROGRESS**--Jean Duquesne, the head of the transport department of the UN Economic Commission for Europe, has recently paid a visit to the Gdansk coastal area. The visit was intended to give Duquesne a review of transportation problems in Poland, and in the Gdansk area in particular, as this region is an important element in the construction of the North-South Motorway, which--constructed under UN auspices--is to join the Baltic to the Persian Gulf. Ten states--including a Poland--are participating in the construction. As many as 2,100 kilometers of the motorway have already been constructed, including the Czestochowa-Katowice section. "From the point of view of U.S. interests," Duquesne said, "we are satisfied with the Polish Government's decision to start work on that part of the North-South motorway which will run across Poland. The Gdansk region is particularly important to the construction, as the place where the road will meet sea transportation routes." [Text] [Warsaw ZYCIE WARSZAWY in Polish 6-7 Jul 85 p 2]

**FOREIGN TRADE MINISTER IN LIBYA**--Poland's Minister of Foreign Trade, Tadeusz Mestorowicz, paid an official visit to Libya from July 1 to 4 at the invitation of the Secretary for Light Industry, Musa Ahmad abu Frejwa. The Polish minister met a number of Libyan ministers, with whom he discussed problems connected with the expansion and deepening of the bilateral economic cooperation. [Text] [Warsaw RZECZPOSPOLITA in Polish 5 Jul 85 p 7]

POLISH-YUGOSLAV AUTO CONTRACT--PAP correspondent Tadeusz Sapocinski reports from Belgrade that representatives of Polmot and the Jelcz Bus and Truck factory signed a 5-year agreement with representatives of the Yugoslav auto industry on July 5. Under the terms of the agreement there will be cooperation in the joint programming of production development and deliveries of Yugoslav Ikarus buses to Poland and Polish Jelcz trucks to Yugoslavia. Some 750 Ikarus buses are to be delivered to Poland between the years 1986 and 1990 (the name of the Belgrade-based factory is identical to the name of the Hungarian one); these buses are to be equipped with Polish drive units and will be used by the Polish Road Transport Services. At the same time, the Jelcz factory will supply 1,200 trucks to their Yugoslav partners. The value of the exchange is estimated at some 150 million dollars, which means a 60% increase over the value of trucks and buses traded in the years 1981-1985. [Text] [Warsaw ZYCIE WARSZAWY in Polish 6-7 Jul 85 p 2]

PLANNING CHIEFS MEET--The session started with a report on the present status and further development of the Poznan voivodship between 1986 and 90. The Planning Commission Presidium then discussed a report submitted by a special group of experts on ways of using the production facilities existing in selected industries. Labor shortages, shortages of materials and components, poor cooperation, aging equipment, and inadequate repairs were the chief causes of inadequate utilization of production facilities. The Planning Commission Presidium next considered the price policy guidelines for 1986 and for 1986-90. In keeping with the reform's idea, these policies should be applied as effective tools to improve productivity and work efficiency. Future trends in production costs, wages, and output rates would determine the extent to which inflation could be curbed. If clear progress could be made in each of these areas, the upward trend in prices would be halted. Price structures for food and durable consumer goods were pinpointed as being of importance in determining the level of consumption. It was underlined that price policies should encourage enterprises to use the latest production techniques and discourage them from continuing inefficient, energy and material intensive processes. [Excerpts] [Warsaw RZECZPOSPOLITA in Polish 8 Jul 85 p 1]

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YUGOSLAVIA

ECONOMIC OPERATION IN FIRST QUARTER INCREASED REGIONAL DIFFERENCES

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 17 Jun 85 pp 10-11

[Article by T. Dumezic: "The Beginnings of Market Differentiation"]

[Text] The high rate of inflation in the first 3 months of this year and the free setting of prices (retail prices rose 68 percent), while output has been stagnant, and labor productivity has been dropping (it is estimated that output is up about 1 percent, and the number of persons employed in the economy up 2.5 percent), a reduction of sales, investments and exports, accompanied by rather essential changes in our accounting of gross income and income, have brought about (according to figures of the Social Accounting Service of Yugoslavia) larger differentiations in the economy--regional, sectoral and individual. This is confirmed by these global figures: funds set aside for accumulation and reserves (314 billion) were up 102 percent, while current losses rose 86 percent (180 billion), and differences in personal earnings are again increasing after a lengthy period. Average personal income in the economy of Slovenia rose 73 percent and reached the amount of 36,325 dinars, while in the economy of Macedonia it rose only 45 percent and amounted to 22,071 dinars.

The economic differentiation of individual economic entities is certainly constructive, since only on that basis will it be possible to find the motivation for higher business performance and productivity. There is no dispute that the different method of setting prices this year (relatively unrestricted prices) contributed to these differences. It is likely that other causes also contributed to the increased differences in financial results from sector to sector. This applies primarily to the pattern of resources of the various branches of the economy and of individual organizations, that is, to the higher or lower dependence upon credit. The influence of this factor is shown by the interest. During the period January-March the economy collected 123 billion dinars in interest (more than 160 percent higher than during the same period of last year), while interest paid reached the amount of 345 billion dinars and rose 205 percent. These are huge amounts (the interest paid is equal to total allocations to the business fund and to reserves), and they determined the financial result for a large number of organizations. Yet the burden of interest does not depend exclusively on the pattern of sources of working capital. Certain economic activities are in a position in which they use the capital of others without paying interest, use large amounts of credit

issued from primary note issue for the preparation of exports and in this way lend out the surplus of capital created in this way to other economic organizations (the foreign trade sector, for example).

#### The Growth of Accumulation and Losses

The gross income of the economy rose 63 percent, which is less than the rise of prices. It follows that total sales in real terms were down somewhat. This means larger inventories of raw materials and supplies, more work in process, more finished product, more goods in the trade sector, and that had to bring about an increase in short-term credits and a drop in the turnover coefficient of working capital.

Costs rose 67 percent, 4 index points more than the growth of gross income. This ratio between gross income and costs is entirely the consequence of the different accounting of gross income and income.

It is significant that energy costs are continuing their trend of above-average growth. They reached the aggregate amount of 338 billion dinars and rose 106 percent over the same period of last year. Thus their share in total costs rose from 4.9 to 6.1 percent and exceed by about 50 percent the costs of depreciation, whose share, in spite of an increase of about 69 percent, is only 4.1 percent of total costs, remained at the level from the same period of last year. After two successive years of a real drop in depreciation, this trend was halted in the first quarter of this year. The nominal growth of depreciation was somewhat higher than the rate of inflation. Nevertheless, the growth of depreciation to that extent does not guarantee cessation of the siphoning of outlays of fixed capital into the income of the economy's OUR's [organization of associated labor].

The changes in the accounting system have made certain economic categories incomparable for all practical purposes. This applies first of all to total costs and to the income of the economy. Interest, all of which was charged to income up until this year (that also applies to charges for banking services), is now mostly charged to operating costs (all interest on credit for working capital). Depreciation computed over and above the minimum rates prescribed by law is also charged to gross income. Changes related to differences in foreign exchange rates also increased operating costs of OUR's in the economy. In the first quarter of this year they amounted to about 65 billion dinars (this amount was charged to gross income), and they were sixfold larger than in the same period of last year. Finally, the revaluation of raw materials, supplies, work in process and finished products put a burden of slightly more than 60 billion dinars on material costs.

Precisely because of these changes in the accounting system the economy's income is not comparable to last year's. Income rose only 51 percent in nominal terms, but the share of income remaining to the economy increased all of nearly 78 percent. Appropriations from income to the budgets of sociopolitical communities rose 55 percent and those going to self-managing communities of interest in the social services rose 67 percent, but appropriations for other purposes, in which interest on credit is dominant, dropped nearly 30



percent, primarily because the interest on credit for working capital and bank service charges are now charged to gross income. These changes brought about a fictitious increase in the share of that portion of income remaining to the economy in the total income distributed (from 57.2 percent to 67.3 percent). Of course, the changes are not real, but are exclusively the consequence of the different method of income accounting.

Regardless of the drop in the real volume of sales, net income increased considerably, which made it possible, along with a moderate nominal growth of personal incomes and social service expenditure, a real income in the economy's accumulation.

#### Distribution of Net Income

Indicator	Amount in Billions		Index
	1984	1985	
Net income	543.4	953.6	175
Personal earnings	358.8	587.1	164
Net personal earnings	260.7	424.1	163
Taxes and contributions paid out of personal earnings	98.1	163.0	166
Social service expenditure	29.1	52.4	180
Accumulation and reserves	155.5	314.1	202
Business fund and improvement of the material base of operation	129.9	272.8	210
Reserve fund	24.3	38.5	159
Other funds	1.3	2.8	212

The share of resources distributed to the business fund, the reserve fund and other funds in the net income distributed amounts to 33 percent. The value of this figure is diminished by the fact that losses over that period amounted to 180 billion dinars, which reduced the actual accumulation of the economy to only 134 billion dinars.

#### Changes in the Makeup of Property

The reduction of sales at a time when output was stagnant brought about changes in the pattern of property. The turnover coefficient of working capital is continuing to drop; accounts receivable from customers are increasing, and there is greater dependence upon bank credit. Inventories are also growing, reaching the amount of 3,912 billion dinars (they rose 79 percent). The largest increase was in inventories of finished products (98 percent), and the smallest in inventories of merchandise in the trade sector (66 percent). This indicates the difficulties in marketing and the somewhat more favorable market position of trade, which in view of the reduced demand has nevertheless been making some selection of products and producers consistent with the demands of the market.



The revaluation of working capital in physical form (supplies, work in process, finished products) did not shift the pattern of sources of business assets to the advantage of "own" sources. Only one thing is certain—that the reassessed value of working capital will tend to increase inflation in the coming period.

The share of permanent sources of business assets dropped from 47.2 to 45.9 percent. The share of total credits rose 1 percentage point—from 31.5 to 32.5 percent. Here the largest increase was in credit for working capital, and that particularly long-term credit (95 percent), thanks to the conversions that were made.

[Box, left, p 10]

#### Larger Spread in Personal Earnings

The amount of personal incomes paid out increased 63 percent, which was also the amount by which the cost of living rose, which means that the purchasing power of the total labor force of the economy was at the same level as last year. Since the size of the labor force increased 2.5 percent, the average real income per worker was down 3 percent from the same period of last year.

The 9-percent drop in retail sales (in real terms) indicates a redistribution of income from one population category to another. The burden of the foreign debt and the domestic stagnation is extending more and more to that portion of the population which realizes income other than from employment in the socialized sector, and especially to private farmers.

#### Average Net Personal Income Per Worker

<u>Republic or Province</u>	<u>First Quarter</u>		<u>Index</u>
	<u>1984</u>	<u>1985</u>	
Yugoslavia	18,487	29,207	158
Bosnia-Herzegovina	17,956	28,340	158
Montenegro	15,305	23,794	156
Croatia	19,639	30,296	154
Macedonia	15,199	22,071	145
Slovenia	21,051	36,325	173
Serbia proper	17,746	28,053	158
Kosovo	14,579	23,317	159
Vojvodina	19,359	29,832	154

The spreads in the level of personal incomes in the economy of the various republics and provinces have increased quite substantially. Over the period January-March of last year the lowest personal income (in the economy of Kosovo) lagged 21.1 percent behind the Yugoslav average, while the highest (Slovenia) was 13.9 percent above the Yugoslav average. This year the spread is considerably greater: the lowest personal income (Macedonia) is lagging 24.4 percent behind the Yugoslav average, and the highest (Slovenia) also exceeds the Yugoslav average by 24.4 percent.

[Box, right, p 10]

### Growth of Losses

Total losses of the economy rose 86 percent, and their ratio to earned income also increased. Aside from industry, which accounts for 50 percent of the declared losses [original reads "credit"], the largest losses were in construction, transportation, housing and municipal services, hostelry and tourism, and agriculture; the losses in agriculture (12 billion dinars) increased five-fold over the same period of last year. One reason for this was the change in price relations--prices of agricultural products increased considerably more slowly than the prices of industrial products.

### Current Losses

<u>Republic or Province</u>	<u>In Billions of Dinars</u>		<u>Index</u>
	<u>First Quarter</u>		
	<u>1984</u>	<u>1985</u>	
Yugoslavia	97.1	180.3	186
Bosnia-Hercegovina	12.7	18.7	147
Montenegro	3.3	6.0	181
Croatia	33.5	56.7	169
Macedonia	6.6	11.9	180
Slovenia	10.2	19.0	185
Serbia as a whole	30.7	68.0	222
Serbia proper	20.2	37.0	183
Kosovo	2.5	6.1	244
Vojvodina	8.0	24.9	312

The declared losses of the economy of Slovenia represented 8.4 percent of income, and those of the economy of Kosovo 30.3 percent.

7045

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YUGOSLAVIA

SLOVENIAN ECONOMIST CERNE DISCUSSES MARKET ECONOMY

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 17 Jun 85 pp 22-25

[Interview with France Cerne, professor in the School of Economics at Ljubljana University, by Milos Zlatić: "All Are Not Equal on the Market"; date and place not specified]

[Text] Every point by which inflation goes up because the economic system has not been worked out consistently is a point taken away from socialism; that phrase was coined by our interviewee France Cerne, professor in the School of Economics at Ljubljana University. In defining strategy, then, the point of departure should be Yugoslavia's existing reality and the reality which the trends make likely, the typical Yugoslav workingman, his preferences for the present and near future, and in that way sketch out an economic system whose results would satisfy the largest number of people. As soon as people properly understand the market as an objective form of relations that is realistically possible in history, it will be better for the system as a whole. There is greater reason to fear dogmatism than a realistic, scientific and scrupulous shaping of the physiognomy of certain economic and political relations in society. If we have to shoot, and it seems we must, then this should be done while the snipers are still in our hands.

EKONOMSKA POLITIKA: The obsession with day-to-day politics and the prolongation of the crisis deprives one of a sense of the breadth of economic relationships and of the historical context in which the crisis is occurring, both the Yugoslav context and the world context. You are an economist specializing in comparative systems; how do you see this time?

France Cerne: We are living in a historical time of a continuous shock system which understandably has quite a powerful influence on the behavior of nationalities, classes and individuals. We should be aware that we are in a transitional period in the world when there are stalemates not only in armament, but also in relations between systems, when there is a battle over the basic concepts of society, of social development, when the scientific revolution has turned its back not only on the old technologies, but also on the old conceptions, and even Marxism has not been spared ferment, criticism and attempts at

innovation in that context. Both in the world and in our own country certain myths and dogmas are being destroyed, indeed even faith in the institutions of the future, our future social development, which even in our country have somehow been plotted as a very reliable road to a brighter future.

I think that we are talking about a general crisis of the international economic order and of the various systems within that order, of a crisis, but also a revitalization, of capitalism, which is having a strong impact on people's reflections and behavior even in our own country. At the same time socialism, which as students we once spoke about as an inevitably victorious world system, is becoming more and more restricted to certain national borders, it is highly variegated and heterogeneous, and we are actually talking about a crisis of real socialism. So this crisis is going further, to Marxism itself, where fatigue is being felt even on the part of our own Marxists, while in the West it is the other way around, an effort to renovate Marxism, which should be related, since we also have Marx in the constitution, to the problem of our future social development from the standpoint of ideology, the LCY Program, the constitution, and indeed the measures embodying the system.

EKONOMSKA POLITIKA: Myths and dogmas are dispelled first in individuals. What has changed in yourself down through the years, where do you see the errors of this society?

France Cerne: When 30 years ago I heard for the first time the names of economists like Mises, Bruckus, Von Hayek and Robbins, who objected that socialism would be a centrally planned administrative system, a barter system without money or prices, a disorganized and anarchical system, I considered that an apologetic thesis of the defenders of capitalism. I even carried on a discussion along those lines with Robbins, with whom I did postgraduate work in London. Today, I say it self-critically, I have had to renounce some ideas as I have my earlier idelogema [word unknown or undecipherable].

Just consider! An emirate has a per capita national income of \$20,000 or \$24,000, \$14,000 U.S., and so on ..., and we have, say, \$2,800. And yet we with those \$2,800 are the ones who want to develop the most progressive society, the society of the free producer, of the free man, with "liberations" even from labor. That is I think where the story of our mania began with transformation, with changes, but just as in the French saying "The more it changes, the more it is the same," or it even goes back to what was before. Since the war we have had four major reforms and many smaller ones.

Further, even today there is confusion not only in the heads of ordinary people, but even specialists in the social sciences. For instance, the demand for a permanent revolution signifies under the conditions today a bliskiranje [word unknown to translator] of all economic laws, and we know where that has led. Or take the question of equality and equal rights--no distinction is made whatsoever. Horvat has now translated that word of mine, which he has often used (the three-dimensional equal rights of man under socialism--as an economic being, as a consumer and as a political being) as equality. Yet can one even speak about equality; in the end it simply sounds like leveling of absolutely everything. The trouble is compounded when we add the



unproductiveness, inefficiency and lethargy of our legal and political system and administrative system.

If on the one hand we look at the world, the third scientific revolution, the aggressive development of science, of new information systems, and so on, we can see our social identity, our economy, we have the ability to say how deep our crisis is and why it has occurred.

**Ekonomiska Politika:** Recently in the Serbian Academy of Sciences and Arts you spoke about our crisis as a three-dimensional crisis, paying unusually great importance at the present moment to the crisis of theory, and even insisting on the use of the term economic thought by contrast with the term economic science, which is usually used and which "accords" a greater dignity.

**France Cerne:** First of all we have a crisis of economic development, of its strategy, and then a crisis of institutions and the system, and a crisis of theory.

The crisis of economic development is the output form of an accumulation of three cycles: the short-term, the medium-term and the long-term. The cycles have coincided, and we have a decline which demands a virtually complete change in the way we live, the strategy, the way of life, the style of life, the quality of life and activity, and, of course, in politics. We should be very cautious in celebrating the 40th anniversary of the Liberation so as not any longer to be slaves to the past, which is a very heavy burden. Because this is a crisis that began long ago, the crisis of one type of postwar development and of its strategy, and the effort is still being made to keep it on its foundations, instead of starting with the contradictions we have gotten into and instead of going through a complete change.

When I speak of the crisis of the system and institutions, I am referring to the contradiction between the ideology and the normative system which we created in the 1974 Constitution and the laws embodying the system and to the impossibility of operationalization to yield institutions that would resolve economic problems more effectively. That would be the initial point for self-criticism of the system, to see what we can do and what we cannot do. Marx was a revolutionary, but in his theory he was an evolutionist, he said that certain phases cannot be simply skipped over, that is, that the less developed countries must take into account the roads which have been traveled by the more advanced countries. We have to understand those thoughts in rounding out and revising the economic system as well as elements of the socioeconomic foundations. Otherwise we are projecting systems out of our head, rather than out of historical reality and social existence.

Economic thought or theory is grounded in political economy. The rudimentary state of the political economy of self-management socialism, although we do have some textbooks on the subject, is one of the "contributions" to instability in economic policy and in the economy itself. It has been said in the West that both economic policymakers and business executives are to some extent the slaves of some great economist; he stands behind them like a spirit. So also in our country the spirits of certain economists stand behind certain



political groupings and politicians (and the other way about), and it is clear that this is crucial to the way in which theories and political economies are shaped. But the problem is not that there are a great many differing theories and ideas, but the problem is rather that we do not agree about fundamental things, which was the childhood disease of the exact sciences in the process of their development. Second, it is not good to have started with personal vendettas; we have seen attacks made on individuals; that is a problem of professional and scientific ethics.

In our country we in fact have eight lines of economic thought, but at present there is a particular conflict among three political economies. One is the one that is written down somewhere in party documents, the constitution, the Law on Associated Labor, and that is especially the result of Edvard Kardelj's effort. It goes somehow in the direction of strengthening the nonmarket association of free producers, rather than advanced commodity production. It does away with the concept of the enterprise, competition, purchasing and selling relations are supposed to be replaced by the relations of income sharing.... The second is the one that university students hear about and study particularly frequently, Marx's political economy critical of capitalism, of the capitalistic production of commodities. In a way it is complemented by the first, but on the other hand it is still more strongly against the development of a market economy, which our leftwing radical philosophers make particular use of in their quotations and criticism. It does exist, sometimes it would like to become operational, as in the concept of the value of the commodity, the newly created value which is then identified, mistakenly, with income, and so on.... The third is the neoclassical, liberal economics of the market economy. It shores up the basic idea that the market must be the principal form of the production relation in all contemporary societies, and it draws the conclusion from that postulate that all institutions should be more or less adapted to that idea. Only indicative planning is needed, and only the current regulating measures of the government would remain.

EKONOMSKA POLITIKA: Which theory do you represent?

France Cerne: I have always been somewhere between these economic theories. It seems to me that we can work on a synthesis, none of the three theories I have enumerated should be thrown out. I must emphasize that I did not list the so-called consensus economy as a type of the first theory, but I feel that all the problems in society should be approached from the standpoint of a system of dialectics and comparative history. I use a mix of those ideas, but not in an eclectic sense, since after all Marxist economic theory is my strategic foundation. But it should always be stated in dialectical terms, placed in the concrete historical context, so that then the extent to which problems can be resolved is understood on the basis of the criteria which prevail as those which are progressive, but without falling captive to theoretical or institutional prejudices, taboos and dogmas.

We are now involved in tearing down those theories and those political economies, but we still have not built new ones, although there are embryos in Kardelj's writings (especially the last writings). This has not been worked out in the economic sense, just as it has not been in political or social terms,

and this is felt very specifically now in the conflict among our economists who have proposed papers or who have taken a position on how the economy should be stabilized.

**EKONOMSKA POLITIKA:** The crisis has its expression, its indicator, in the truly high rate of inflation; we actually have had stagflation for several years. It constantly threatens to get out of hand, out of control of both the economists and politics.

France Cerne: We now need deflation, stabilization of the market, that is, of prices, and invigoration of production. Here I agree with the economists who say that it has been an illusion to expect inflation to drop in view of the inelastic behavior of final consumption at the high level of foreign indebtedness, which necessitated a crash export program. The second question is whether economic policy has done enough and has done the right thing. In recent years it has turned a deaf ear to essential things, although with a certain amount of restriction it has prevented still greater problems, not to say catastrophes, from occurring. It did not have the courage to break up the sources of inflation and stagnation with a strategy that was clearer and more comprehensive and thus carry the economy into a new era of efficient development. In a well-ordered market economy there would be no squandering of foreign exchange in exporting, nor would there be any import shocks either. To go further, there have been errors here in the freezing of prices, in the passive and basically neutral monetary policy. Economic analysis, economic theory, the economists who were close to the Federal Executive Council also contributed to those failures at understanding and those vacillations, but it still cannot be said that politics could not have done more.

**EKONOMSKA POLITIKA:** But current economic policy is the offspring of the political system and the leading forces in society.

France Cerne: It is absolutely true that certain problems should also be sought out there.

**EKONOMSKA POLITIKA:** Somewhere on the boundary between politics and economics is the question of whether to give preference to halting inflation or to repaying the debt. Can an answer be found without that either-or dilemma?

France Cerne: In a certain sense this is a false choice between alternatives. In my view neither is possible without the other. Yet if we were to stand at a certain distance in time, I would give priority to breaking down the sources of inflation. After all, what is seen on the outside is only an expression of what is happening inside. That is well known from medicine.

**EKONOMSKA POLITIKA:** In that sense the question is often put to what extent it is possible to influence inflation and at what speed it can be brought down?

France Cerne: We face strong material barriers here, large imbalances. We still have not taken up the task of restructuring the supply, and with a minimal growth of production, the necessity of exporting, and the reduced domestic supply we cannot exert pressure on prices. Then on the demand side we have a

slackening of the pressure of personal incomes and investment demand, but social service expenditure and government expenditure are still strong. Which means that this is not just a problem of quantitative balancing of supply and demand, but of a heavy burden on the economy, an excessive social overhead. Nothing has been done for the competitiveness of our economy, it is declining both inside and out. High inefficiency is then expressed as strong cost inflation, the rise of producer prices. Finally, I also see no room for reducing inflation because there is still a high demand for credit in spite of the inventories which are now piling up, and that is a drama of social ownership--who is the owner, who takes the risk, who covers the losses? Several times we have tried to charge the burden to personal incomes as a penalty, but that has its political and social limits.

Accordingly, we need the anti-inflation program even more than before, but the question is what kind of program? The group headed by Cirovic, both before and now, has been greatly criticized by both theoreticians and practitioners, often correctly in my view. Both because of the Aesopian language and also because sometimes the assertions are not backed up with arguments. Advocates of a liberalistic market economy have been especially critical; they see here the first phase of a renewal of centralized and planned regulation of the economy, not on the basis of market criteria, but on the basis of artificial, voluntaristic and miscellaneous consensuses, accords and compacts, all taken from the arsenal of the consensus economy. I support many of these objections. Nevertheless, I do not agree with the intensity of the demands for the complete shaping of a market economy in our country, since although we can debate the socioeconomic foundations of our system, certain spontaneous market institutions do contradict those foundations, and we then could get a deformed market system which might be more harmful than useful. It could yield invalid parameters with which it will not be possible either for economic entities or economic policy to define business policy. I therefore think that this criticism is uninstitutional, unhistorical, excessively and sclerotically academic. Knowledge of theory is being passed over to reality at a very abstract level, and that reality is far from the postulates upon which that theory is based.

EKONOMSKA POLITIKA: Planning, when you think about it, is not something exclusive to the so-called socialist economies.

France Cerne: Those who advocate a market economy in our country are too afraid of planning. I support the idea of being afraid of a centralistic, planned, barter economy, but there is no longer any talk of that even in the Soviet Union. There is a need to develop planning, to provide it interdisciplinary help from all the sciences and with new methodologies. There needs to be planning for the market so that it would operate better. Robbins, who is a bastion of liberal economics, said back before the war that we are all planners, that all economists are in favor of planning, but the question is what kind of planning.

A market economy which demands markets for everything, all commodities and factors of production, all economic resources, does not have the appropriate institutional condition, that is, in our country, and at the same time it experienced as the neoclassical theory a number of well-argued criticisms from



Marx, from the neo-Ricardians, Sraf and others, the neo-Keynesians and post-Keynesians, to mention only Robinson, the institutionalists, and now the economic cyberneticians. This should be taken into account. The market has certain defects, it has never been a perfect information system, it gives signals ex post, and, most important, it is no longer free, but restricted, even in monopoly fashion, in the form of oligopolies. Which is why the theory of necessary government intervention, antimonopoly intervention, was developed, and Keynes developed a macroeconomic policy for the economy aimed against the troubles brought by the free market system. It is not popular these days to talk about Keynes, but still in his "funeral oration" over laissez faire he did say that freedom of economic decisionmaking must be looked at within the whole context, that it must be in the interest of society, in the interest of its development, and in particular it cannot be a freedom to make decisions causing unemployment, which he regarded as the greatest shame for the capitalist system. And yet haven't we created more of that shame than was the case in the England of that time?

I would like to say that on the question of the market we differ in that we give it differing content. There are a number of markets, not only in history, but even within a single economy. I favor the categorization of markets, 3, 5 or 10. From, say, the infrastructural sector of social services, where only a paramarket or quasi-market could be developed, through the infrastructural production branches such as metallurgy, where the law of supply and demand cannot be allowed to go free, where as a rule the large corporations carve up the market into segments and where it is an utter illusion to suppose that the final customer is furnishing information as to what to make and how to produce steel. It is a question, then, of a whole series of shades of market forms. And then, not least important, we have the objections of the economic cyberneticians, the systems theorists, who say that the cybernetic system is the pluralistically arranged economy with several levels. Coordination is achieved through the synchronous integrational effect of the various communication signals, so that there does exist autonomy of the primary units, which could be called market autonomy, but those units are integrated into the broader whole as a system. I think we stand at the beginning, we are looking at the embryo of a new economic science which will be more and more a cybernetic theory about management of the economy on the basis of models, programming. If we economists persist with the market model of Smith or Marshall or some of the other neoclassical economists, we will simply be outrun by specialists from other sciences who know how to handle computers and who have already taken strong strides into the technotronic postindustrial era of data processing.

**EKONOMSKA POLITIKA:** You take a critical attitude toward criticism of the Anti-Inflation Program. At the same time you are also critical of it. How then do you assess the overall stabilization program?

**France Cerne:** I think that the stabilization program was not clear or consistent enough when it came to saying how certain problems were to be solved. It should have resolved two questions: How in future to elaborate the system conceived in the constitution as an embryo of the association of free producers and to incorporate the subsequent realization that displacement of the

market system has gone too far and that, as we now put it, we should pay more respect to the laws of the market and economic laws. That is my first objection to the program. I am skeptical about a more efficient market economy being developed within the framework of ideology, a program or a constitution. As a matter of fact, it could function to some extent, it could be efficient in certain domains, but still it would not free itself of the tutelage of the political factor, of the existence of statist regulation, which the liberal economists refuse to see, but that is exactly what they will bring about with their demands. Why? Because this is a basic issue, or should be. Either a basically market economy or a basically planned economy. This does not mean that it cannot be both a planned economy and a market economy. I have always said that in the Yugoslav context it should be basically a commodity economy with even quite strong market guidance. But in the cybernetic sense of transformation it should be a planned economy.

The limitations of what we might say a mental nature are the second reason for my pessimism. There is no new behavior, we have the old consumer behavior, petit bourgeois behavior, maintenance of the status quo, preservation of best interests at any price, and then disunity, intolerance, distrust and an attitude of wait and see. Moreover, let us again take the objective factors. We have a number of plants which are nothing else but a fixed cost which we are adding to inflation. We have done nothing to transform those structures or to do away with them. And then our lack of organization, state of disintegration, there is no objective coordinating mechanism. There are so many levels of decisionmaking that they stand in each other's way. We have already spoken about competitiveness, about efficiency, about the quality of economic activity or economic policy, which is late, which behaves like a firefighter, which is helpless before the processes which are still taking place.

The outside world is the third restriction. The pressure of the debt is not letting up. Let me illustrate the indebtedness: Austria has a debt of 10 billion, but because it has 10 billions of reserves its net debt is zero. Belgium has a debt of 39 billion, a net debt of 24 billion, but it exports 100 billion. Then the question of the share of the debt in the national product, and whether the debt occurred in a situation of economic equilibrium or not? The essential thing is the attitude of the IMF toward the advanced and the underdeveloped. The debt is actually large not in a quantitative sense, but in a qualitative sense, and it threatens our development like the sword of Damocles.

The basic problem for me is that we lack a stabilization program or that it is not a good one, but that we do not have a unified economy or an economic and political system based on a homogeneous Yugoslav system of values. And without those common values no society can exist as an organism, as an organized system.

**EKONOMSKA POLITIKA:** In that context we might turn to the topic of social ownership, which you have often written about, and to self-management, as well as to the basic postulates of this society. Indirectly you have been mentioning them uninterruptedly even in this interview.



France Cerne: In the case of social ownership we have several things which have not been cleared up. If it is everyone's and no one's, how can it be a condition for economic activity proper to a market? Private property has its consistent system of motivation and control, but does social ownership? On the one hand it is proclaimed that social ownership lies in the hands of associated labor, while on the other it is under the strong tutelage of sociopolitical communities, so that ultimately there is a great vacuum of responsibility. We see that we cannot accuse anyone of the debt either outside in the world or here at home. The handicap is that social property, which is economic property, is not in this stage in the hands of those who are the producers.

There may be either barter self-management or commodity self-management. Commodity self-management is quite different from what Marx understood to be the self-management of workers freed of the commodity and of capital. There is also the logical question here of labor as a factor of production and as a principal carrying on economic activity; that is the question of labor's institutionalization. We still have fundamental disagreements on all of this, and they are hindering us from getting out of the crisis.

EXONOMSKA POLITIKA: At this point one can see in your criticism the way you see out of the crisis. You favor an offensive strategy of radical changes. What does that strategy contain?

France Cerne: First of all we should undertake to combine the material factor and consciousness, the genetic and teleological approach. I think that we have a need to pay greater respect to the genetic factor, the historical-material factor. It seems to me that we have already been experimenting too much with consciousness, out of our heads, off the top of our heads, irresponsibly toward both present and future generations. That is, history has not rejected socialism as an idea, as a movement, but it has provided serious criticism of the variants of socialism, especially of the reality which has been proclaimed as the only real socialism even in our own country. It is a question of a need to negotiate a turnabout in thinking toward liberation of the productive forces of various administrative restrictions, toward the organization of an effective system of economic activity. Every program demands changes in the institutional apparatus and also in strategy, in development policy.

In the particular case I say that we should create a nucleus of organizations of associated labor which would be firms at the Yugoslav level, large organizations, combines (similar to the world's transnational corporations), regardless of where they had their headquarters; then there would be the medium-sized competitive firms, and, last but not the least important, small enterprises both in the socialized sector and also in the cooperative and private sectors, whereby a new condition would be created for internal and external propulsion. We would even have to use legal forms to restrict some of the rights both of central authorities and also of the authorities of the national economies, the republics, the provinces, the opstinas, and that with respect to the basic independent functions of organizations of associated labor. In that way we would make it possible for associated labor to reproduce itself

perpetually. We should strengthen the self-management element, above all in organizations of associated labor, in the sense of affirmation of man with his particular work, and at the same time strengthen the work organization as a commodity producer which as a business firm could bear its risk and liability, conduct the correct policy of distribution. We have confused the technical division of labor with the social division of labor and have pushed commodity production down to the level of the basic organizations. In this way we have atomized the economy, we have severed basic linkages. In that context there is a need to develop a unified market, not only for commodities and services, but also for real estate, money, labor, foreign exchange, and even social services. Those markets cannot be equal.

That objective coordinating market mechanism should be topped off with correction from the planning mechanism, which has to be a strong element in planning proportions and in planning long-term priorities, in giving a thrust to the propulsiveness that will pull us along in the future. The system should also deal with the problem of distribution according to labor, which is sometimes in another blind alley, altogether without justification. I long ago proposed a combined system of distribution of income from two sources: income for the particular job and a portion for business performance, which, I see, is now being worked on.

An offensive strategy presupposes an attempt at renewal of society, renewal of progressive tissues, mobilization of all the basic units of society, individuals, man, into a movement. I speak about a new spirit, with a view to new institutions, to new values. We should open up prospects not with promises, but with arguments. Establish criteria so that everyone knows what he will get if he works and what he will get if he does not work.

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YUGOSLAVIA

FACTORS IN STABILIZING PERSONAL EARNINGS

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 17 Jun 85 p 5

[Editorial: "Is the Fall of Personal Earnings Coming to an End"]

[Text] There are prospects that the fall of real personal incomes of persons employed in the economy and in noneconomic activities will be halted this year as called for by the Resolution on Economic Policy for 1985. This, of course, pertains to the average real personal income, which means that in some regions, in certain activities, and in a large number of OUR's [organization of associated labor] the personal earnings of workers will continue to drop, while in others they will rise. The existence of precisely these trends in the domain of personal income is in fact demonstrated by the figures of the Social Accounting Service of Yugoslavia concerning the financial results of business operation over the period January-March of this year.

What changes have there been in the distribution of personal earnings? After 5 years in which the spread has been narrowing (the spread has been narrowing between regions, between branches, within branches, and also within OUR's) under the pressure of external obligations, which have diminished the social product intended for domestic consumption (and also to preserve social peace), there are now the rudiments, viewed in economic terms, of a constructive new trend--the spread in personal incomes is widening. The average personal income has increased the most in the economy of Slovenia (by 73 percent), where it now exceeds the Yugoslav average by over 24 percent (over the same period of last year the average personal income in the economy of Slovenia was slightly less than 14 percent higher than the Yugoslav average). The smallest rise of personal earnings was in the economy of Macedonia (45 percent), so that the lag of the personal earnings of those employed in that republic's economy behind the Yugoslav average has increased from 17.8 to 24.4 percent. The spread in personal incomes has also increased from one branch to another within the economy.

Such changes in the level of personal incomes, viewed in a regional context, have not always been covered with corresponding financial results. This is in fact confirmed by the figures on the economy's losses and on its capital surplus. For example, losses in the economy of Kosovo increased 144 percent, and their share in earned income exceeded 30 percent (the Yugoslav average is 15.3 percent). Still average personal incomes in the economy of that province rose

one index point more than the Yugoslav average, so that the lag behind the country's average decreased from 21 to 20 percent. Distribution, then, is still in large part outside the economy, outside OUR's, and under the considerable influence of sociopolitical communities, which is incidentally confirmed by the debates today concerning the differences in the republic and provincial legislation regulating the payment of personal incomes for organizations which have shown an uncovered loss in the year-end statement for the previous year, although this has been dealt with in the federal law on emergency financial rescue and termination of OUR's.

Regardless of the pronounced presence of a differing policy of the authorities of sociopolitical communities concerning the distribution of personal incomes, certain economic criteria are also being restored, which is certainly a good thing. After all, the differentiation of OUR's and workers on the basis of performance (income) is the principal economic motivation for a greater work effort and for more productive and profitable business operation. Yet there are almost unconquerable hinderances to the dominant operation of that motivation. The main thing is the absolutely low level of personal earnings (even though personal earnings are often a true measure of low productivity because of the immense number of redundant employees, the low level of capacity utilization, the inappropriate organization of work and the poor quality of products and services), which objectively exerts pressure toward egalitarianism, especially since approximately two-thirds of the employed labor force is earning a personal income below the average. There are a number of reasons why this pressure is not only understandable, but indeed justified. The first is the existence of some kind of wage relation in which the employer is no longer very clearly defined and where the greatest real right is that of those employed not to work. Investment decisions which in a large number of cases are not motivated on economic grounds are a consequence of this situation. Inappropriate financing of investment projects and current business operation are another practical consequence of the distorted production relation.

Differences in the material position of the particular economic activities and of individual OUR's are another reason exerting a pull toward egalitarianism in the distribution of personal incomes. It is a question of differences resulting from disproportions in the prices maintained on a closed market, of monopoly advantages of certain economic entities, of a differing level of the burden imposed by obligations arising out of credits, and so on. The third reason is the inappropriate tax system and tax policy, since the system of taxation is not contributing either to the guidance of sectoral and regional development, nor is it moderating the differences which are derived from those advantages, nor indeed are they mitigating differences in social welfare either.

The way out certainly does not lie in a policy that would help to halt differentiation in the level of personal incomes within organizations, from one organization or activity to another, and from one region to another. The differences should be encouraged, while these obstacles we have referred to should be removed. It is clear that today it is not possible to undertake a personal income policy whereby those employed in organizations operating at a loss would be entitled only to the guaranteed personal income. Such a measure



would affect certain activities as a whole, and we are talking about a large number of employed persons (more than 500,000). Would it not be better in such cases to undertake to reduce property and obligations to their real value and the real capabilities of the organizations, at the same time cutting back the labor force to the necessary size.

Today the idea is becoming ever more prominent that there should be changes both in the policy governing distribution of personal incomes and also in the way they are recorded. It is thus being proposed that instead of agreeing on the proportion for global division of net income into resources for personal and social service consumption and resources for expansion of the material base of operation and for reserves, the agreement should focus on approximate equalization of the amounts of advances against personal incomes awarded for various types of jobs, which presupposes setting work norms on individual jobs and the existence of a spread in personal earnings that is consistent with the regional and other differences that already exist. These relatively standardized advances against personal incomes would represent a business expenditure from the standpoint of the OUR. Thus the final financial result would be considerably more realistic. Standardization of the base for payment of the advance against personal incomes would not detract from the workers' right to decide on distribution. Decisionmaking would have to be authentically based on economic principle, by contrast with present practice. The workers would decide on distribution as a whole, certainly including the remainder of income, consistent with the constitutional principles for distribution on the basis of the results of management and economic employment of the means of production.

Today more than yesterday there are real prospects for personal earnings to assume the necessary economic dimension. One of the reasons is the relatively high degree of certainty that the burden of the foreign debt will not increase, that at worst there will be annual rescheduling on the same terms as up to now. The second is the different redistribution of the burden of stabilization. During the period January-March producers' prices of industrial products rose 69 percent, and prices of producers of agricultural products 45 percent. The burden is being transferred to a relatively greater extent to farmers, as also shown by figures on retail sales (down 9 percent) and real earnings of those employed in the socialized sector of the economy (in real terms the aggregate was at the level of the same period of last year). The present volume of distribution has not on the whole acted as a disincentive on agricultural production. The question is what effect a further redistribution would have on farmers? But it can be halted only if real purchasing power, that is, the personal earnings of those employed both in the economy and non-economic activities, are retained and increased.

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YUGOSLAVIA

BRIEFS

UNEMPLOYED IN BOSNIA--Of the 1,061 million unemployed in Yugoslavia, 230,000 are in the Republic of Bosnia-Herzegovina and the number is rising. In the last 5 years unemployment here had an annual increase of 14 percent and at present 18 percent of the work force is unemployed; about 62 of these are young specialists who are just entering the labor market. A recent meeting of the Republic Conference of the SAWP Presidency supported a draft program of measures to promote employment in this republic in the 1986-1990 period, by combining all sources, about 166 billion dinars can be additionally provided to invest in labor-intensive sectors, enabling the employment of an additional 100,000 workers above the regular planned increase, so that employment would increase by more than 4 percent in the next medium-term period instead of the 2.8 percent planned annually for the socialized sector. This would mean hiring a total of about 277,000 new workers up to 1990 [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 20-22 Jul 85 p 12]

DEPENDENCE ON IMPORTED EQUIPMENT--According to some studies, about 70 percent of the petrochemical equipment in Yugoslavia is imported, and all spare parts and production materials in this industry must be imported. The same percentage holds true for the pharmaceutical industry, while 85 percent of the raw materials and components are imported in this branch. In the metals industry the situation varies according to production branches; while the shipbuilding industry imports only 4 percent of its equipment. The electric apparatus and machine industry imports 70 percent of its equipment, while the leather and textile industry imports 80 percent of its raw materials and equipment. Both the construction materials industry and agriculture each import 50 percent of the equipment and machines they use. [Excerpt] [Belgrade RAD in Serbo-Croatian 5 Jul 85 p 3]

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